

ESTTA Tracking number: **ESTTA745883**

Filing date: **05/11/2016**

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91207836
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Date	05/11/2016
Attachments	Deposition of M. Dempe Exhibit 65 part 18.pdf(5239740 bytes) Deposition of M. Dempe Exhibit 65 part 19.pdf(5872239 bytes) Deposition of M. Dempe Exhibit 65 part 20.pdf(5543359 bytes) Deposition of M. Dempe Exhibit 65 part 21.pdf(4537176 bytes) Deposition of M. Dempe Exhibit 65 part 22.pdf(4854429 bytes) Deposition of M. Dempe Exhibit 65 part 23.pdf(5478645 bytes) Deposition of M. Dempe Exhibit 65 part 24.pdf(4942171 bytes) Deposition of M. Dempe Exhibit 65 part 25.pdf(4535240 bytes) Deposition of M. Dempe Exhibit 65 part 26.pdf(4325025 bytes) Deposition of M. Dempe Exhibit 65 part 27.pdf(3772311 bytes) Deposition of M. Dempe Exhibit 65 part 28.pdf(5117454 bytes)

FOCUS BRAZIL

Successes in Brazil manifested at Fenatran



The exhibitors were out in numbers at the major Fenatran Trade Show in São Paulo, Brazil in October 2013, but the question is whether or not Volvo Trucks stole the show. With a total of 70,000 visitors to the show, 17,000 to the Volvo exhibition, thousands and thousands of new orders and a great deal of attention directed at Volvo's 2,500 square-meter stand, the biennial Fenatran confirmed the successes of the Volvo Group in the Brazilian truck market.

The Volvo Group displayed a number of exciting products and services, including the world's most powerful truck, the Volvo FH 16, with a 750-horsepower engine, the updated Volvo VM series, now also in 8x2 and 8x4 configurations and with I-shift transmission, and a Volvo FM that operates on LNG – the first natural-gas truck to perform field tests in Brazil.

– To be able to fully display the engine in the Volvo FH 16 750, there was a shared booth with a glass floor to clearly show the engine installation. Interest in viewing the booth was so great at times that the queue stretched to the companies with displays closest to us, says Roger Alm, Head of Group Trucks Sales and Marketing in Latin America.

Key market

Demonstrating new products to customers and other stakeholders is an important part of Fenatran, but the Trade Show is more than that. The Volvo Group and dealers worked together to sell trucks, financing, insurance and Gold service contracts at the point-of-sale in the Volvo display, strongly reflecting the Volvo Group strategy to deliver an integrated total offer to customers. Business activities were high and during the five-day show the number of truck orders signed was similar to the amount usually signed during a full quarter.

Interest in Volvo Trucks is huge in Brazil, which is by far the largest truck market in South America, with 103,800 heavy-duty trucks registered in 2013, and very important for the Volvo Group. In recent years, the market shares have gradually increased in the largest country in South America, from 12.8% in heavy-duty trucks in 2008 to 20.0% in 2013. And, this occurred in 2013 with positive price realization. It is also very positive that the new Volvo VM series repeated successes in the medium-heavy segment. Market share in the segment increased from zero ten years ago to 12.0% in 2013. During the year Volvo was named "Most desired brand" in Brazil coming out on top in customer satisfaction and image.



Positive outcome

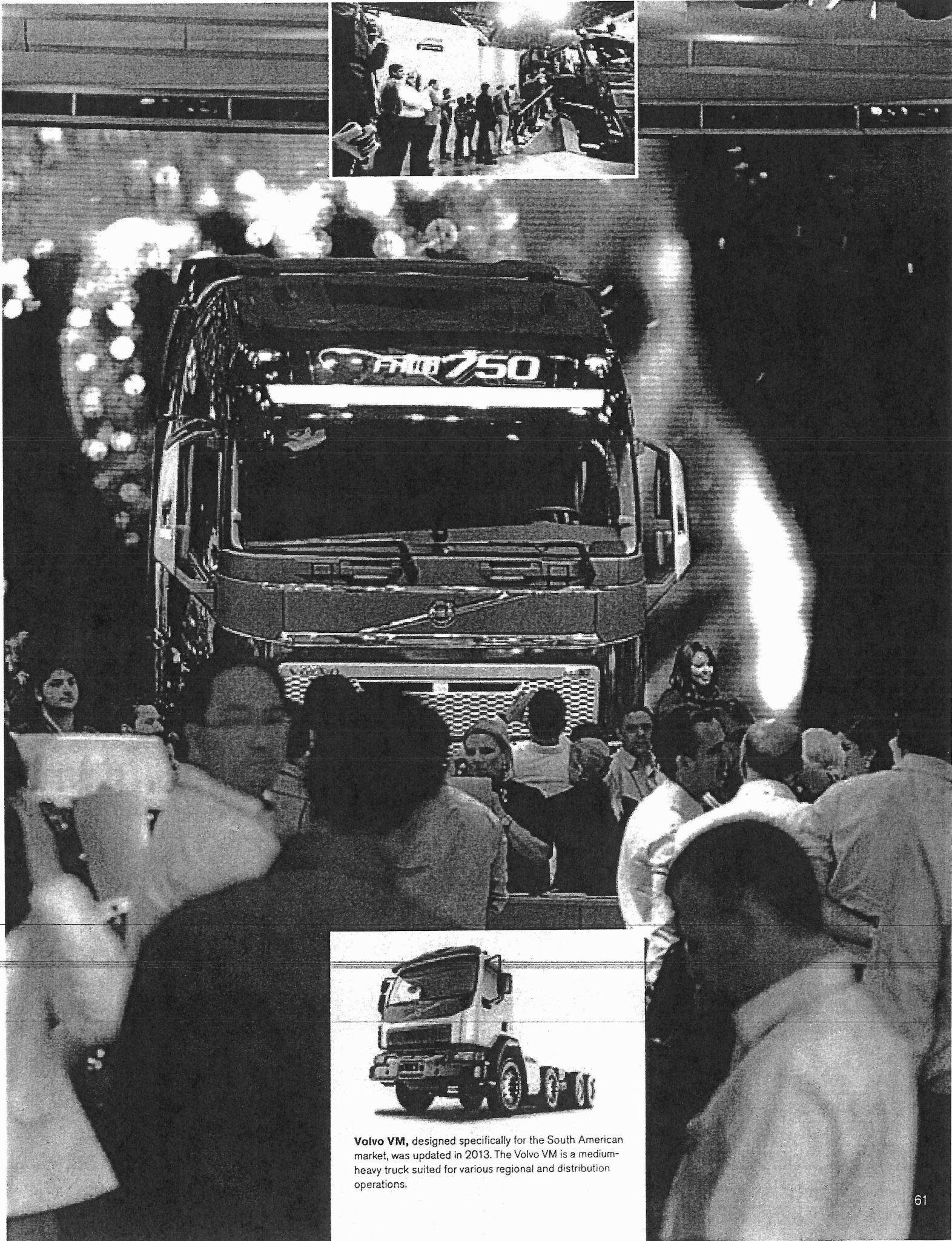
The Brazilian government has a program, Finame, with advantageous government financing for investments in trucks and construction equipment. Towards the end of the year, there were some uncertainty concerning future lending-rate levels in Finame and worry about rising inflation pressure. Since then the Finame rate has been set and many signs indicate that the Brazilian market will remain at a level of approximately 105,000

heavy-duty trucks in 2014. The positive factors include somewhat improved economic growth, an excellent harvest, general investments in infrastructure, the Soccer World Cup, which is driving both investments and consumption, as well as the scrapping program in some states.

Position of strength to improve further

The favorable trend in the Brazilian market has resulted in an increasing number of the global truck manufacturers focusing their attention on the country and deciding to invest in manufacturing there. To benefit from Finame requires that a large proportion of trucks, measured in value, are manufactured in Brazil. However, the successes of the Volvo Group in Brazil are the result of many years' hard work by the Group's employees and the employees of the independent dealerships. The increasing competition is handled from a position of strength in terms of both image and customer satisfaction. But, it will require continued investments in the 12 sales districts, of which two are driven by the Volvo Group and ten by independent companies.

– To support our customers, we will continue to strengthen our service network. In 2010, we and our dealerships had 75 facilities with approximately 1,000 service stations. At the end of 2014, we anticipate we will have a combined amount of 100 facilities and more than 2,000 service stations. We are expanding with our customers, says Roger Alm.



Volvo VM, designed specifically for the South American market, was updated in 2013. The Volvo VM is a medium-heavy truck suited for various regional and distribution operations.

DEVELOPMENT BY CONTINENT

EXPANSION IN

ASIA

Asia continues to grow in importance for the Volvo Group. In 2013, an agreement was signed to acquire 45% of Chinese truck manufacturer Dongfeng Commercial Vehicles, the UD Quester truck series was launched for emerging markets and Eicher's new and complete vehicle program in the Eicher Pro Series was introduced.



Dongfeng has a strong position in heavy-duty and medium-duty trucks in China, the world's largest truck market.

➤ **Restructuring in Japan.** In Japan, the total market for heavy-duty trucks in 2013 rose by 6% to 33,800 vehicles (32,000) as an effect of government incentives to stimulate the economy, significant investments in public construction projects and a weaker currency that increased the competitiveness of the export industry. UD Trucks' market share in the heavy-duty segment increased to 18.7% (17.5).

The Japanese market is one of the Group's largest, due, amongst others, to high sales of service and spare parts. At the same time, the Japanese market has declined sharply since the peak years of the early 1990s and the Group is carrying out a number of activities to strengthen the performance in the country. Measures are being taken to lower costs and enhance efficiency in the sales channels within the framework of the REX, Retail Excellence, program which includes reducing the number of employees in support functions while increasing the number of employees who generate income.

A program was announced at the start of 2013 aimed at improving the overall efficiency of the Japanese production system. The program involves consolidating manufacturing to the main plant in Ageo and reducing production capacity in both engines and truck assembly.

Deal with DFCV in China approved

In January 2013, AB Volvo signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45% of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV), which will include the major part of DFG's medium and heavy-duty commercial vehicles business. The transaction was approved by the Chinese National Development and Reform Commission (NDRC) in January 2014 but completion is subject to certain conditions, including the approvals from other Chinese authorities. The deal is expected to be finalized in mid 2014.

During 2013, the Chinese market for heavy-duty trucks totaled approximately 774,100 vehicles, while the corresponding figure for the medium-duty market was 286,800 vehicles. DFCV occupies a strong position in both the heavy-duty and medium-duty segments, with deliveries of 120,631 heavy-duty trucks and 50,995 medium-duty trucks, corresponding to market shares of 15.6% and 17.8%, respectively.

Eicher Pro Series - a strategic milestone for VECV

In 2013, the total market for commercial vehicles over 5 tons in India declined by 25% to 297,100 trucks (394,700). The Volvo Group's joint venture with Eicher Motors, VE Commercial Vehicles (VECV), significantly outperformed the market. VECV's deliveries of Eicher vehicles decreased by 16% to 40,550 units (48,262) and the domestic market share subsequently increased to 13.8% (12.7), the highest to date. In buses, Eicher's share rose to 13.5% (12.0), while it remained overall stable in the medium-duty and heavy-duty segments at 30.4% (31.4) and 4.4% (3.9) respectively.

VECV has made extensive investments in recent years, which have been financed by the company's own cash flow. They include a new factory for medium-duty engines that delivers to the entire Volvo Group, a new paint shop, new cab line, tooling for new products, new gear plant and a new facility for bus body building. Investments were also made in research and development related to new products. The results of these investments were seen in December with VECV's launch of the Eicher Pro Series, developed specifically for India and other selected emerging markets. The Eicher Pro Series covers the entire 5 to 49 ton gross vehicle weight (GVW) range. A stepwise rollout of the Eicher Pro Series began in February 2014.

Volvo CE advances positions in China

The vast majority of net sales in China stem from the sale of construction equipment. The Chinese construction equipment market recovered in the autumn of 2013 after a period of weak development. The market increased by 3% (decline: 37). For Asia excluding China, the market increased by 2% (11).

With a volume totaling 256,200 wheel loaders and excavators in 2013, the Chinese market is by far the world's largest market, and the Volvo Group remains number one in these segments. During 2013, Volvo CE with the brands Volvo and SDLG had a combined market share of 14.6% (15.0) in wheel loaders and excavators.

In December, Volvo CE signed an agreement to acquire the hauler business from Terex, a transaction that is expected to be completed in the second quarter of 2014. In addition to strengthening Volvo CE's penetration in the core earthmoving segment, the acquired business will extend the company's presence in light mining. The deal also includes a 25.2% holding in Inner Mongolia North Hauler Joint Stock Co (NHL), which manufactures and sells rigid haulers under the Terex brand in China with a leading position in the market.

Strong positions for Volvo Buses

Volvo Buses has a strong position in India and is one of the most well-known brands in the market. 5,000 buses from Volvo are in operation in India. In 2013, preparation for the introduction of a value brand on the Indian market was initiated.

During the year, Volvo Buses delivered its first low-floor city buses to Shanghai. China is a large market for electric buses. Sunwin Bus, a Volvo Buses and SAIC Motor joint-venture, delivered 311 fully electric buses on the Chinese market in 2013.

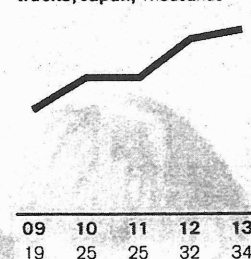
UD Quester for emerging markets

On August 26, UD Trucks launched Quester, a new heavy-duty truck range developed specifically for emerging markets. With Quester, the Volvo Group will address a completely new customer segment and the trucks are an integrated part of the Volvo Group's strategy to increase sales in emerging markets across Asia Pacific and other regions. Read more about UD Quester on the next page.

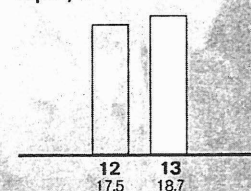
Volvo Group in Asia

- Net sales: SEK 53,512 M (65,458)
- Share of net sales: 20% (22)
- Number of employees: 17,953 (17,642)
- Share of Group employees: 19% (18)
- Largest markets: China, Japan, South Korea and Turkey.

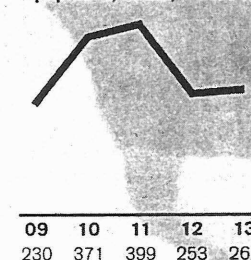
Market development, heavy-duty trucks, Japan, Thousands



Market shares, heavy-duty trucks, Japan, %



Market development, construction equipment, China, Thousands



The Eicher brand has continuously strengthened its position as an innovative force on the Indian truck market. The launch of the Pro Series adds to the reputation.

FOCUS QUESTER

Volvo Group breaks new ground with the launch of Quester

On August 26 2013 UD Trucks launched Quester, a new heavy-duty truck range developed specifically for growth markets. Quester will address new market segments and marks a milestone for the Volvo Group in line with the Group's truck strategy to increase sales by capturing profitable growth opportunities in fast growing markets across Asia Pacific and other parts of the world. Quester offers customers solutions tailored to their specific business needs and supports them in running profitable, growing businesses.

- UD Trucks, with a proud and long-standing tradition of developing high quality trucks for the Japanese market, has exported trucks to markets across Asia, Africa, South America and the Middle-East for many decades. However, we have never developed products for customers outside Japan. With Quester, we are entering a new era by introducing an all-new truck range, specifically designed for growth markets, says Joachim Rosenberg, Executive Vice President, Group Trucks Sales & Marketing and JVs, APAC.

Tailored for growth markets

Quester will expand UD Trucks' customer base and contribute to the Group Trucks' strategy by improving competitiveness and capturing growth opportunities in new markets. As a heavy-duty truck range, Quester provides a platform for a wide range of applications including mining, construction, distribution and long-haul transportation.

Being an integral part of the Volvo Group, UD Trucks has developed Quester by leveraging the Volvo Group's global engineering network in combination with its tradition of Japanese craftsmanship. Combined with sourcing and manufacturing on the Asian mainland, UD Trucks will now be able to deliver a modern, affordable vehicle range with superior performance tailored to the cost-conscious growth markets of the

world. To ensure best possible uptime, Quester is supported by an expanded and upgraded distribution network providing UD Genuine Service and UD Genuine Parts amongst others.

Robust and strong

Quester's most obvious competitive advantages are the robustness and strength of the truck, its fuel efficiency and the breadth of the range. The variety of different configurations with easy body mounting will provide customers with tailored, purpose-built solutions for all types of applications. In addition, there are new and patented features that will contribute to the customer's uptime and safety.

The production of Quester started at low volumes during the third quarter of 2013 in Bangkok, Thailand with volumes increasing gradually in 2014. Besides serving the domestic Thai market, the plant in Thailand will also serve as an export hub for South East Asia and beyond.

On December 10, the new Quester range was launched in China under the name UD KuTeng. The UD KuTeng series is intended to be manufactured and commercialized by DONGVO TRUCK, which is the new name for Dongfeng Nissan Diesel Motor Co Ltd (DND) in Hangzhou in Southern China. Later on the Quester is also intended to be manufactured in India.

Quester represents the best of three worlds

Quester has been developed with a Japanese hands-on, field-oriented approach that starts from a customer and factory floor perspective. UD Trucks' more than 70 years of Japanese craftsmanship has gone into creating this new masterpiece.

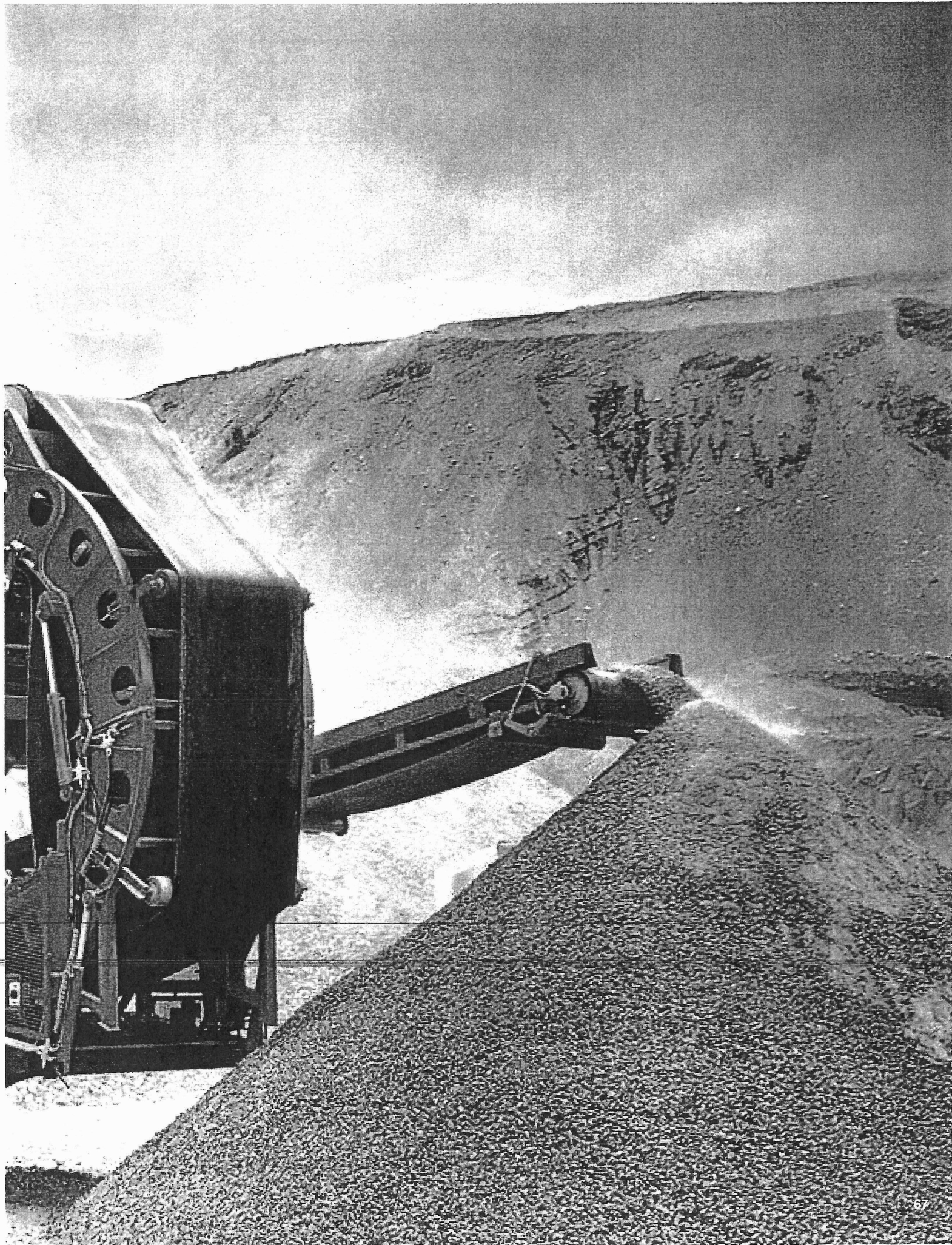
As part of the Volvo Group, Quester has been developed by the Group Trucks Technology and Group Trucks Operations functions. The project has engaged colleagues from twelve different nationalities, who have contributed to design, develop, validate and industrialize Quester and its associated services.

As a third element, local sourcing and manufacturing allows Quester to be an affordable truck with superior performance in the cost-conscious growth markets of the world. Quester is also supported by a large and expanding service network providing UD Genuine Service and UD Genuine Parts to ensure best possible uptime.

Volvo Penta keeps it simple for customers!

Starting in 2014, the Tier 4 Final/Stage IV emission regulations took effect in North America and the EU for diesel engines in off-road applications. Volvo Penta's strategy to meet these new emission demands was to keep it simple – for its customers. By using the proven SCR technology, installation challenges for the manufacturers are very limited, no regeneration is needed and operating costs are low. The environmental benefits with using Volvo Penta engines are of course also there.





SIGNIFICANT EVENTS

During 2013

Year 2013 was characterized by the most extensive product renewal in the history of the Volvo Group.

New Volvo FM

The Volvo FM was launched in Europe on March 19, 2013 – with the ground-breaking innovation Volvo Dynamic Steering as one of its prominent features. Volvo Dynamic Steering combines a conventional hydraulic power steering system with an electronically regulated electric motor fitted to the steering gear. The system gives the driver effortless steering at low speeds as well as excellent directional stability on the open road.

New Volvo FMX

The new Volvo FMX truck was launched at the Bauma trade fair in Munich on April 15, 2013, setting a new standard when it comes to robustness, handling and driver comfort. The truck, which is specially designed for heavy construction duties, boasts an array of updates including a totally redesigned cab interior, new air suspension system and raised ground-clearance.



The new Volvo FMX is also equipped with Volvo Dynamic Steering – an innovation designed to improve maneuverability.

Powerful news from Volvo Trucks in North America

The new heavy-haul tractor Volvo VNX, a 13-litre engine running on liquefied natural gas, the introduction of Volvo I-Shift as standard throughout the product range, and services that boost uptime were some of the new features that Volvo Trucks in North America presented at the Mid-America Trucking Show in Louisville, Kentucky, USA on March 21, 2013. Volvo VNX is a new heavy-haul tractor for the North American market. It is intended for demanding assignments such as hauling timber and heavy machinery.

Annual General Meeting of AB Volvo

The Annual General Meeting of AB Volvo held on April 4, 2013 approved the Board of Directors' motion that a dividend of SEK 3.00 per share be paid to the company's shareholders.

Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg, Ravi Venkatesan, Lars Westerberg and Ying Yeh were reelected as members of the AB Volvo Board of Directors. Carl-Henric Svanberg was reelected as Board Chairman.

Carl-Olof By, representing AB Industrivärden, Lars Förberg, representing Violet Partners LP,



Håkan Sandberg, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen, Yngve Slyngstad, representing Norges Bank Investment Management and the Chairman of the Board were elected members of the Election Committee.

A Remuneration Policy for senior executives was adopted in accordance with the Board of Directors' motion.

The Annual General Meeting adopted an amendment to the Articles of Association concerning the appointment of auditor in accordance with the Board's proposal. The amendment entails that the appointment of auditor shall apply until the close of the annual general meeting held during the fourth financial year after the appointment of the auditor.

New Renault Trucks Range

Renault Trucks took advantage of the switch to the Euro 6 standard to totally renew its entire range including light, medium and heavy-duty trucks for distribution, construction and long-haulage. The presentation of the new Renault

Volvo Group Press releases 2013

THE FIRST QUARTER

09/01/2013 Volvo scholarship for the development of eco-friendly transportation 11/01/2013 Volvo Group industrial operation in Japan 15/01/2013 Information on restructuring charges in the fourth quarter of 2012 23/01/2013 Invitation to press and tele conference in Stockholm 26/01/2013 Volvo to become world's largest heavy-duty truck manufacturer following strategic alliance with Chinese company Dongfeng Motor Group 31/01/2013 New number of votes in AB Volvo 06/02/2013 Volvo Group – the fourth quarter and full year 2012 07/02/2013 Volvo dismisses media speculation concerning acquisition of Nexter of France 12/02/2013 Volvo Buses receives order for 475 hybrid buses from Quebec 13/02/2013 Volvo Group invests in DriveCam 19/02/2013 Record year for Volvo Museum 20/02/2013 Truck deliveries in January 2013 26/02/2013 Annual General Meeting of AB Volvo 28/02/2013 New number of votes in AB Volvo 01/03/2013 Changes in Volvo's Group Management 13/03/2013 AB Volvo publishes 2012 Annual Report 19/03/2013 The new Volvo FM – the ideal all-round player in Volvo Trucks' model range 20/03/2013 Truck deliveries in February 2013 21/03/2013 Powerful news from Volvo Trucks in North America 26/03/2013 Assar Gabrielsson Award for increased knowledge of correlation between immune system and cancer 27/03/2013 AB Volvo publishes Sustainability Report 2012 28/03/2013 New number of votes in AB Volvo



Trucks Euro 6 range on June 11 was the first time that any manufacturer had ever renewed its entire range at a single stroke. The Volvo Group made an investment of approximately EUR 2 billion over five years in the project and Renault Trucks carried out the most stringent testing program of its entire history.

Volvo Trucks renewed its entire European truck range and launched Euro 6

Since September 2012, Volvo Trucks has launched five new truck models. It all began in 2012 with the launch of the new Volvo FH, followed in 2013 by the introduction of the new Volvo FM, Volvo FMX, Volvo FE and Volvo FL. All the new models include innovations and features that make the driver's job easier and more efficient. Volvo Trucks has also introduced new trucks with Euro 6 engines ranging from the smallest medium-duty 5-liter engine to the heavy-duty 13-liter variant.

Volvo Group increased warranty reserves

On July 1, it was announced that the Volvo Group would book an additional SEK 900 M in warranty reserves, which impacted the operating income negatively in the second quarter 2013. The cost relates to legacy product quality issues which are resolved in current truck production. The cost was booked in the truck segment.

Termination of local assembly of Renault Trucks in Turkey

On August 20, the Volvo Group and the Turkish manufacturer Karsan agreed to end the contract for local assembly of Renault Trucks for the Turkish market before the end of 2013. The termination had a negative impact on the Volvo Group's operating income of approximately SEK 95 M in the third quarter of 2013. The termination was made in connection with the change to the newly launched Renault Trucks range, which instead is manufactured in France also for the Turkish market.

Volvo Group took an important strategic step with the launch of Quester

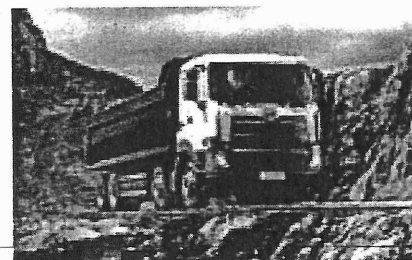
On August 26, UD Trucks launched Quester, an all-new heavy-duty truck range developed specifically for growth markets. Quester addresses new market segments in line with the Volvo Group's truck strategy to increase sales by capturing profitable growth opportunities in fast growing markets across Asia Pacific and other regions. Production of Quester started in the third quarter of 2013 in Bangkok, Thailand. Besides serving the domestic market, the plant in Thailand will also serve as an export hub for South East Asia and beyond. In the near future, the range is also intended to be manufactured in China for the Chinese market and later on also in India.

The Volvo Group ranked as one of the world's most sustainable companies

On September 16 it was announced that the Volvo Group once again qualifies for the Dow Jones Sustainability World Index (DJSI). The Volvo Group received a particularly good rating for its implementation of the environmental policy and management systems.

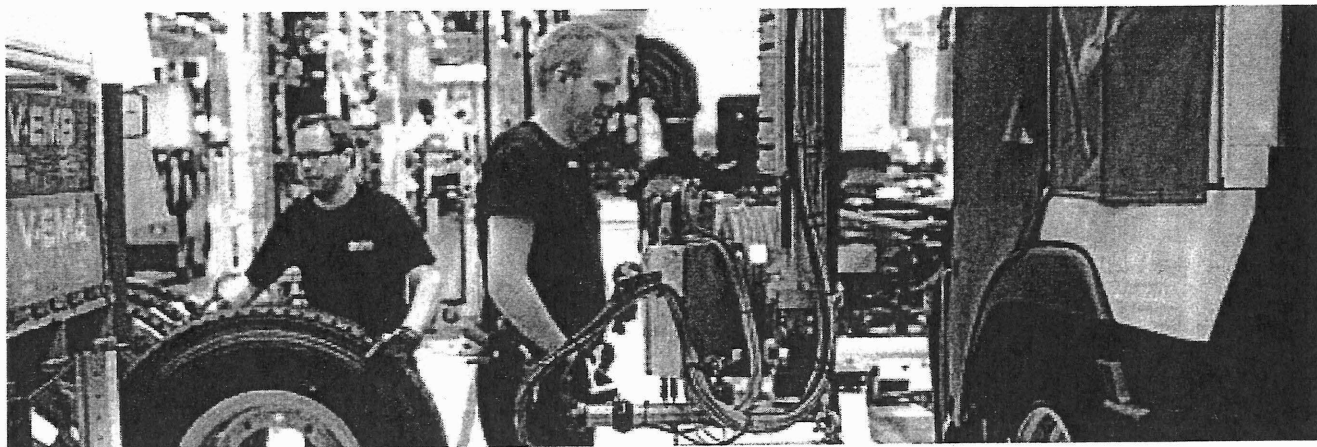
The Volvo Group announced comprehensive efficiency program linked to the strategy

On September 24 it was announced that the Volvo Group had decided to combine a number of actions into a Group-wide efficiency program. The program encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system. It is estimated that the program will entail restructuring costs totaling approximately



THE SECOND QUARTER

04/04/2013 Annual General Meeting of AB Volvo **04/04/2013** Volvo Technology Award for fuel-saving "autopilot" for trucks **15/04/2013** Invitation to press and tele conference in Stockholm **16/04/2013** New Volvo FMX centre of attention at Bauma Fair **18/04/2013** New President at Volvo Buses **25/04/2013** Volvo Group - the first quarter 2013 **30/04/2013** New number of votes in AB Volvo **30/04/2013** Annual Report of Volvo Treasury AB (publ) **14/05/2013** The new Volvo FE and Volvo FL - optimised for city and suburban deliveries **16/05/2013** Volvo Trucks has renewed its entire European truck range in eight months **17/05/2013** Truck deliveries in April 2013 **28/05/2013** Volvo Trucks presents its Euro 6 offer **07/06/2013** Volvo Trucks to Commercialize DME-Powered Vehicles for North America **11/06/2013** WirelessCar has been honoured with 2 awards at Telematics Update Detroit **12/06/2013** New Renault Trucks Range: Centres of profit serving customers' businesses **17/06/2013** Truck deliveries in May 2013 **17/06/2013** Volvo launches noiseless electric buses in Gothenburg **28/06/2013** New number of votes in AB Volvo



SEK 5 billion, whereof approximately SEK 0.5 billion is expected to have no impact on cash flow. The majority of the restructuring charges are expected to impact operating income during 2014. Savings are expected to amount to approximately SEK 4 billion annually, and will generate results gradually in 2014, with full effect achieved by the end of 2015.

Volvo Group to optimize truck manufacturing in Europe

On October 16 the Volvo Group announced a directional decision to implement changes in the European industrial structure for truck manufacturing. The aim is to enhance the efficiency and thus strengthen competitiveness. The intention is to, step-wise over the next two years, relocate cab trim operations from Umeå to Gothenburg, to concentrate the assembly of heavy duty trucks in Gothenburg to one line, and to concentrate the assembly of medium duty trucks to Blainville. The directional decision is expected to result in staff cutbacks and operational changes.

Staff and support function rationalization

As part of the Group-wide efficiency program the Volvo Group has made a directional decision to rationalize its staff and support functions worldwide to enhance efficiency and reduce costs. Approximately 2,000 white-collar

employees and consultants are expected to be affected by the rationalization, which is intended to be implemented starting in the beginning of 2014. The action is subject to union negotiation.

Volvo Construction Equipment to acquire hauler business from Terex

In a move that will improve the company's penetration in the core earthmoving segment and extend its presence in light mining, Volvo Construction Equipment in December agreed to acquire the off-highway hauler business of the Terex Corporation for a purchase consideration of approx. USD 160 M (approx. SEK 1 billion) on a cash and debt free basis. The acquisition includes the hauler manufacturer Terex Equipment Ltd and related assets and intellectual property. The deal, which is subject to regulatory approval, includes the main production facility in Motherwell, Scotland and two product ranges that offer both rigid and articulated haulers. It also includes the distribution of haulers in the U.S. as well as a 25.2% holding in Inner Mongolia North Hauler Joint Stock Co (NHL), which manufactures and sells rigid haulers under the Terex brand in China. NHL is listed on the Shanghai Stock Exchange. The transaction is expected to be finalized during the second quarter of 2014.



THE THIRD QUARTER

01/07/2013 Volvo Group to increase warranty reserves **10/07/2013** Invitation to press and analyst conference in Stockholm **24/07/2013** Volvo Group - the second quarter 2013
31/07/2013 New number of votes in AB Volvo **20/08/2013** Termination of local assembly contract in Turkey - new range of Renault Trucks to be manufactured in France
26/08/2013 Volvo Group takes an important strategic step with the launch of Quester **26/08/2013** Semi-Annual Report of Volvo Treasury AB (publ) **27/08/2013** More efficient goods transport reduces emissions in cities **30/08/2013** New number of votes in AB Volvo **04/09/2013** Volvo Trucks Reveals Next Generation **16/09/2013** The Volvo Group ranked as one of the world's most sustainable companies **18/09/2013** Truck deliveries in August 2013 **24/09/2013** The Volvo Group announces comprehensive efficiency program linked to the strategy **30/09/2013** New number of votes in AB Volvo



EVENTS AFTER BALANCE SHEET DATE

Chinese authority approved joint venture between Volvo Group and Dongfeng Motor Group

On January 7, 2014 the National Development and Reform Commission (NDRC) in China gave its approval of the establishment of a joint venture between the Volvo Group and Dongfeng Motor Group Company Limited (DFG). Completion is subject to certain conditions including the approvals of other Chinese authorities. As previously announced, AB Volvo has signed an agreement with DFG to acquire 45% of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV), which will include the major part of DFG's medium- and heavy-duty commercial vehicles business.

AB Volvo divested Volvo Rents in North America

As part of its strategic effort to focus on the core business, the Volvo Group in December agreed to sell Volvo Rents to the US private equity firm Platinum Equity for approximately SEK 7.0 billion. The transaction had a negative impact on the Group's operating income of SEK 1.5 billion in the fourth quarter of 2013. The transaction was completed at the end of January and as a consequence net financial debt in the Volvo Group's Industrial Operation was reduced

by SEK 7.0 billion. Volvo CE will continue to sell products to Volvo Rents under the new ownership.

Reduction of white-collar personnel

In the autumn of 2013 a Group-wide efficiency program based on activities related to the implementation of the Group's strategies was announced. The program will be implemented in 2014 and 2015. In the report for the fourth quarter 2013, which was published on February 6, 2014, it was announced that the detailed analysis of the consequences of the program was finished and that approximately 4,400 white-collar employees and consultants will be affected by personnel reductions, including the previously announced 2,000 within staff and group support functions. White-collar employees worldwide will primarily be reduced in Group Trucks Operations, Group Trucks Technology, Group Trucks Sales and Marketing EMEA, IS/IT, Finance and Human Resources. The majority of the personnel reductions will be implemented during 2014.

Detailed information about the events is available at www.volvogroup.com

THE FOURTH QUARTER

11/10/2013 Invitation to press and analyst conference in Stockholm 16/10/2013 Volvo Group to optimize truck manufacturing in Europe 21/10/2013 Chinese glaciologist and climate scientist awarded the Volvo Environment Prize 21/10/2013 Pat Olney leaves Volvo Construction Equipment 25/10/2013 Volvo Group - the third quarter 2013 31/10/2013 New number of votes in AB Volvo 11/11/2013 Girls make up more than half of the Volvo Step's student group this year 18/11/2013 Martin Weissburg new President of Volvo CE 19/11/2013 The Volvo Group introduces vocational training schools in Africa 20/11/2013 Truck deliveries in October 2013 22/11/2013 Montréal to Become City of Electro Mobility 29/11/2013 New number of votes in AB Volvo 29/11/2013 Change in Volvo's Group Executive Team 02/12/2013 Successful joint venture behind strategic launch of Eicher Pro Series 04/12/2013 Volvo Group presents details on the financial effects of the strategy program 09/12/2013 Volvo Construction Equipment set to acquire hauler business from Terex 10/12/2013 AB Volvo to sell Volvo Rents in North America 16/12/2013 Reporting dates for AB Volvo 2014 18/12/2013 Truck deliveries in November 2013 30/12/2013 New number of votes in AB Volvo

TRUCKS

PRODUCT

renewal and

RESTRUCTURING

During 2013 market conditions varied between different parts of the world. Towards the end of the year the European market was strengthened by many customers choosing to pre-buy new trucks ahead of the transition to the new Euro 6 emission standard, which came into effect at the turn of the year. Trucks equipped with Euro 6 engines have lower emission levels but are also more expensive than their predecessors. >>

Facts The truck operation's product offer stretches from heavy-duty trucks for long-haulage and construction work to light-duty trucks for distribution. The offering also includes maintenance and repair services, financing and leasing.

Share of Group net sales, %



Number of regular employees

58,542

Position on world market Volvo Group is one of the world's largest manufacturers of heavy-duty trucks.

Brands Eicher, Mack, Renault Trucks, UD Trucks and Volvo.



Volvo FH was elected International Truck of the Year 2014 by a group of 25 senior commercial vehicle journalists, representing 25 magazines throughout Europe.

➤ The North American market declined somewhat in the wake of slow economic growth. Demand in Brazil was strong throughout the year while the Japanese market was supported by economic measures by the government. The truck market in India was low, reflecting the slowdown in the economy while the Chinese market picked up somewhat compared to 2012.

Varying market conditions

In 2013, the heavy-duty truck market in Europe 30 (EU plus Norway and Switzerland) increased 8% to 240,200 trucks compared with 221,800 in 2012. For 2014 the total market is expected to be at a level of about 230,000 heavy-duty trucks.

In 2013, the total North American retail market for heavy-duty trucks decreased by 5% to 236,300 vehicles (249,600). For 2014, the total market is expected to reach a level of about 250,000 heavy-duty trucks.

In 2013, the Brazilian market increased by 19% to 103,800 heavy-duty trucks (87,400). For 2014 the total market in Brazil is expected to remain at the level of about 105,000 heavy-duty trucks.

In Japan the total market for heavy-duty trucks rose by 6% to 33,800 vehicles (32,000). For 2014 the total market in Japan is expected to remain at the level of about 35,000 heavy-duty trucks.

In India, the total market for heavy-duty trucks declined by 33% to 131,700 trucks (195,100). The total Indian market for medium-duty trucks declined by 19% to 76,300 trucks (94,200). For 2014 the total market in India is expected to reach a level of about 145,000 heavy-duty trucks and about 88,000 medium-duty trucks.

In China, the total market for heavy-duty trucks reached 774,100 vehicles (636,000). The total market for medium-duty trucks was 286,800 vehicles (290,300). For 2014 the total market in China is expected to reach a level of about 700,000 heavy-duty trucks and about 280,000 medium-duty trucks.

In general the Volvo Group maintained or increased its market positions in the main markets. In Europe the combined market share for heavy-duty trucks amounted to 24.3% (25.7) and in North America it was 18.8% (18.3). In Brazil the market share in heavy-duty trucks increased to 20.0% (18.2) while it increased to 18.7% (17.5) in Japan. In India the market share for Eicher amounted to 30.4% (31.4) in the medium-duty segment and to 4.4% (3.9) in the heavy-duty segment.

Orders and deliveries

In 2013, a total of 200,274 trucks were delivered from the Group's wholly-owned operations, a decrease of 2% compared to 2012. Deliveries decreased in all markets except South America.

Order intake to the Group's wholly-owned operations increased by 12% to 214,301 trucks with increases noted in all markets.

Lower earnings

In 2013, net sales in the truck operations decreased by 6% to SEK 178,474 M (189,156). Adjusted for changes in exchange rates, net sales increased by 1%.

Operating income excluding restructuring charges amounted to SEK 6,824 M (12,219), while the operating margin excluding restructuring charges was 3.8% (6.5). Restructuring charges amounted to SEK 679 M (1,440). The lower profitability compared to 2012 is mainly an effect of a negative currency impact of SEK 2,698 M, higher costs for R&D due to reduced capitalization of R&D investments, higher costs in the manufacturing system and selling expenses associated with the changeover to new generations of trucks.

Extensive product renewal

The activity level in the Group's truck operations was very high during the year. In Europe, Volvo Trucks launched the new Volvo FM, Volvo FMX, Volvo FL and Volvo FE. In June, Renault Trucks presented a new, comprehensive truck program comprising its T, K, C and D series for long-distance haulage, construction and distribution. In addition, the new Euro 6 engines were launched.

The renewal of the Group's truck program continued with the launch of UD Quester, an all-new series of heavy-duty trucks developed specifically for growth markets in Asia and other areas. In India, VECV, the Group's joint venture together with Eicher Motors, started manufacturing the new 5 liter and 8 liter engines for UD Quester and the medium-duty truck program in Europe. Towards the end of the year the Eicher Pro Series, a complete new range of 11 trucks and buses, was revealed. In Brazil the new Volvo VM was launched and in North America, new powertrain packages were among the product news.

The new trucks, which shall contribute to the Group's long-term growth and profitability, were very well received by both dealers and customers. The Group's new and stronger product programs have also provided dealers with stronger faith in the future and motivation for them to continue to invest and contribute to the development of the Group's brands.

Restructuring to strengthen competitiveness

On January 1, 2013, the Volvo Group introduced a new organization for its truck dealer networks in Europe, the Middle East and Africa (EMEA). The reorganization aims to capitalize more effectively on opportunities for the Group's brands and products in line with the new strategy for the truck operation.

In October, there was a directional decision to implement changes in the European truck manufacturing operations in order to increase efficiency and strengthen competitiveness. By optimizing the industrial structure in Europe, the Group will be able to build trucks in a much more efficient way with lower cost per truck.

At the start of 2013 a program aimed at improving the overall efficiency of the Japanese production system was announced. The program involves consolidating manufacturing to the main plant in Ageo and reducing production capacity in both engines and truck assembly. Measures are also ongoing in Japan to lower costs and enhance efficiency in the sales channels within the framework of the REX program (Retail Excellence).

Net sales by market

Mkr	2013	2012
Europe	73,640	76,365
North America	40,314	42,650
South America	23,318	21,172
Asia	26,740	33,404
Other markets	14,462	15,566
Total	178,474	189,156

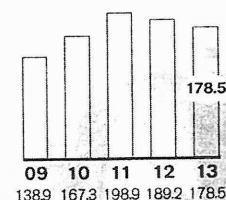
Deliveries by market

Number of trucks	2013	2012
Europe	82,088	84,355
North America	44,755	47,806
South America	29,137	23,443
Asia	28,692	31,757
Other markets	15,602	16,899
Total	200,274	204,260

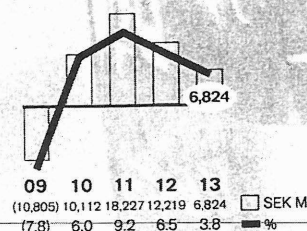
Non-consolidated operations

Eicher (100%)	31,422	39,063
DND (100%)	213	450
Total volumes	231,909	243,773

Net sales, SEK bn

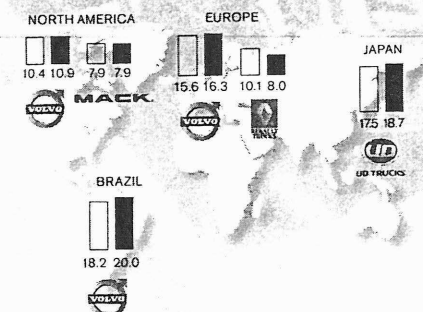


Operating income (loss)* and operating margin*



*Excl. restructuring changes

Market shares, heavy-duty trucks, %



BUSES

POSITIVE

trend in

ELECTRO- MOBILITY

Volvo Buses is one of the world's leading bus manufacturers, with a strong focus on vehicles and systems for long-term sustainable public transport. The product program includes complete transport solutions, city buses, intercity buses and coaches, as well as services in financing, vehicle service, vehicle diagnostics and traffic information. >>

Facts Volvo Buses offers complete buses and chassis within city buses, intercity buses and coaches as well as services within vehicle service, vehicle diagnostics and traffic information.

6% (7)



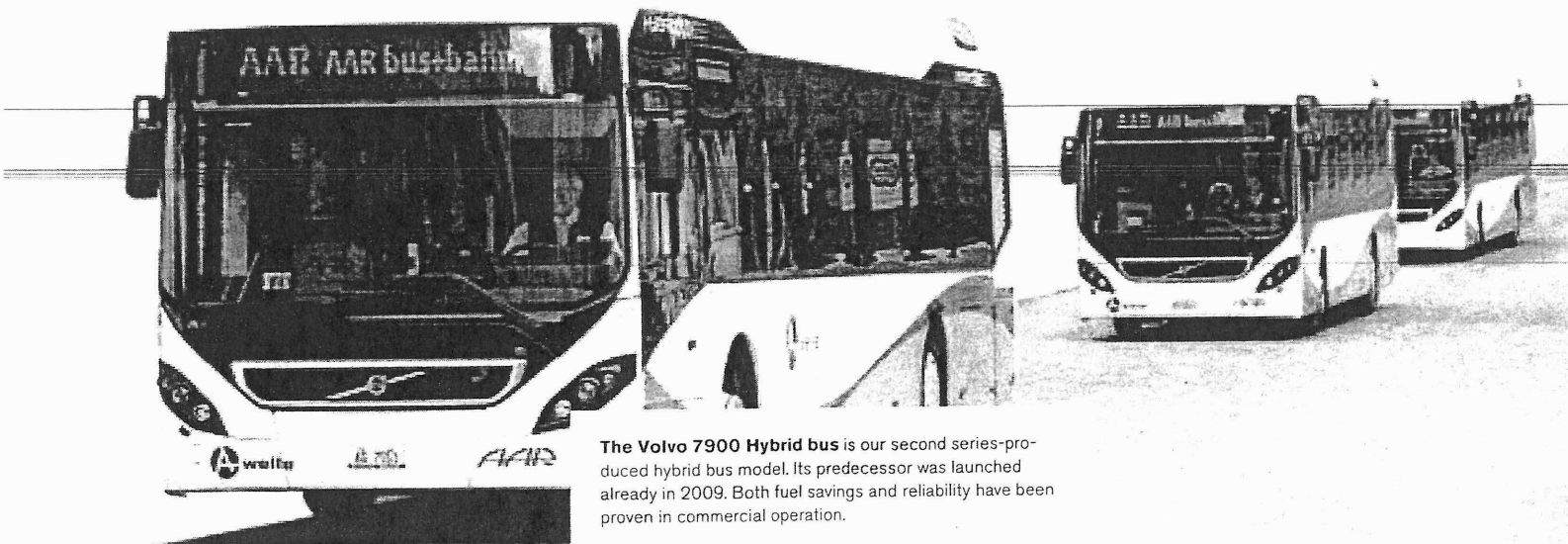
Share of Group net sales, %

Number of regular employees

6,648

Position on world market Volvo Buses is one of the world's largest producers of buses.

Brands Volvo, Prevost, Nova and Sunwin Bus.



The Volvo 7900 Hybrid bus is our second series-produced hybrid bus model. Its predecessor was launched already in 2009. Both fuel savings and reliability have been proven in commercial operation.

» Volvo Buses has sales in 85 countries and one of the industry's most comprehensive service networks, with more than 1,500 dealerships and workshops worldwide. Production facilities are located in Europe, North America, South America and Asia.

New product program for Euro 6

During 2013, Volvo Buses launched a completely new product program for Europe, with engines that comply with the new Euro 6 emission requirements. The step from Euro 5 to Euro 6 entails that emissions of nitrogen oxide will be reduced by 77%, while the amount of particulates in exhaust fumes will be halved. At the same time, the buses' fuel consumption and climate impact have been reduced. For some models, fuel saving is a full 10%. Sales commenced during the second half of the year and the new products were well received in the market. In addition Volvo Buses introduced the Volvo 7900 Articulated Hybrid bus during 2013 along with an upgraded coach program.

Beyond Euro 6 - electromobility

Volvo Buses continues to develop its market-leading position in electromobility worldwide. Transport systems with electric hybrids and/or completely electric vehicles make it possible to reduce energy consumption, climate impact, noise and emissions and are therefore viewed by many cities around the world as the key to sustainable public transport. Under a joint City Mobility format, Volvo commenced cooperation on electromobility with Gothenburg, Hamburg, Luxembourg, Montréal and Stockholm.

The first Volvo brand electric hybrid bus was introduced in 2009. Since then, approximately 1,300 hybrid buses have been delivered to customers in 21 countries. Most of the sales occur in Europe. At the same time, important breakthroughs were made in several markets. Volvo Buses in South America received an order for 200 hybrid buses for Bogotá, Colombia. Volvo Buses' North American subsidiary Nova Bus sold 475 hybrid buses to Quebec in Canada. Sunwin Bus in China, of which Volvo owns 50%, is among the world's largest manufacturers of large electric buses. During 2013, Sunwin Bus delivered more than 300 electric buses.

Volvo Buses' hybrid program expanded in 2013, with an articulated bus model and a new more fuel-efficient diesel engine. From 2014, all complete low-floor buses sold by Volvo in Europe are hybrid buses.

In spring 2013, a field test commenced with Volvo's first plug-in hybrid buses in Gothenburg. The technology entails that the bus' battery may be charged via an electricity network at the terminals and that the bus will be able to operate

quietly and free from exhaust gases for approximately seven kilometers on electricity alone. The tests, which were conducted in autumn 2013, showed that the fuel consumption and climate impact emissions for the plug-in buses were more than 80% lower than for conventional diesel buses. The total energy consumption (diesel and electricity) is more than 60% lower. Commercial manufacturing of Volvo's plug-in hybrids is scheduled for 2015.

In Gothenburg, Sweden Volvo has taken the initiative for ElectricCity – an innovative collaboration project with the City of Gothenburg as a demonstration and test arena for the electric public transport of the future. The project includes a bus service that will operate commercially on fully electric vehicles and plug-in hybrids starting in 2015.

Deliveries decreased but order intake increased

The global bus market remained weak during 2013. Volvo Buses' deliveries declined to 8,910 buses and bus chassis compared with 9,297 during 2012. However, the total order intake increased to 9,621 units in 2013 compared with 8,905 in the preceding year.

Several important orders were signed, in addition to those mentioned above. For example, Volvo Buses' North American subsidiary Prevost received an order for 300 commuter buses to New York City. In February, Volvo Buses' other North American subsidiary Nova Bus secured an order for 475 hybrid buses to Quebec, Canada. Nova Bus also received an order for 414 low floor city buses from MTA New York City Transit.

Due to lower volumes and increased price pressure in Europe, Volvo Buses has concentrated the manufacture of complete buses in Europe to the company's production facility in Wrocław, Poland. The manufacture of Volvo Buses in Sjöflö, Sweden, was discontinued during the second quarter of 2013.

Loss for the full year

During 2013, net sales declined by 15% to SEK 16,707 M (19,587). Net sales declined in all markets. Adjusted for changes in exchange rates, net sales declined by 10%.

Operating income excluding restructuring charges amounted to a negative SEK 190 M (148) and the operating margin excluding restructuring charges was a negative 1.1% (0.8). No restructuring charges were recorded during the year compared with SEK 110 M in the preceding year. Profitability was negatively impacted by low volumes, a negative currency impact of SEK 199 M, a negative market and product mix as well as the price pressure in Europe.

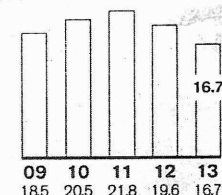
Net sales by market

SEK M	2013	2012
Europe	5,429	6,200
North America	5,929	6,675
South America	1,836	2,794
Asia	2,055	2,149
Other markets	1,457	1,768
Total	16,707	19,587

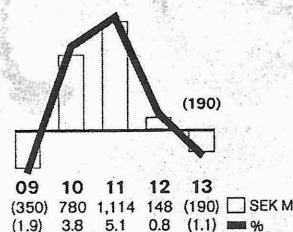
Deliveries by market

Number of buses	2013	2012
Europe	2,146	2,491
North America	1,752	1,826
South America	2,434	2,560
Asia	1,822	1,564
Other markets	756	856
Total	8,910	9,297

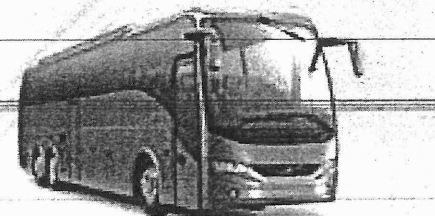
Net sales SEK bn



Operating income (loss)* and operating margin*



*Excl. restructuring charges



The Volvo 9700 is spacious, reliable safe and productive. It is an excellent tourist coach since it not only makes sure that the passengers have every comfort in a quiet and calm environment, but it also offers the driver great handling characteristics.

CONSTRUCTION EQUIPMENT

LOWER VOLUMES affected

PROFITABILITY

During 2013 Volvo Construction Equipment's profitability was affected by lower deliveries in many markets. >>

Facts Volvo CE manufactures a range of equipment for construction applications and related industries.

20% (21)



Share of Group net sales, %

Number of employees

14,663

Position on world market Volvo CE is the world's leading manufacturer of articulated haulers and one of the world's leading manufacturers of wheel loaders, excavators, road development machines and compact construction equipment.

Brands Volvo and SDLG (Lingong).



Volvo Construction Equipment continues to evolve as a total solution provider and to develop its segmentation approach to customer needs.

Volvo Construction Equipment (Volvo CE) is the third largest and, at over 180 years old, the longest established global producer of products and services for the construction, extraction, waste processing and materials handling industries. The company boasts a portfolio that exceeds 200 machines and a comprehensive range of supporting products and services. Main equipment includes excavators, articulated haulers, wheel loaders and a range of smaller equipment such as backhoe and skid steer loaders. The road machinery range includes motor graders, compactors, pavers and milling machines. The Chinese-built range of SDLG branded products includes excavators, loaders and compactors. The company's offering also includes services such as customer support agreements, attachments, financing, leasing and used equipment sales.

Volvo CE equipment is distributed through a global network of independent and Volvo-owned dealerships. SDLG branded products are distributed through separate sales channels.

Lower volumes

Measured in units sold, the total world market for heavy, compact and road machinery equipment increased by 2% in 2013, compared to 2012. The European market was down by 4%, while Asia (excluding China) was up 2% and demand in China itself increased by 3%. North and South America proved more resilient, recording market growth during 2013, of 2% and 4% respectively. Volvo CE sold 70,800 machines compared with 75,500 in 2012.

The important Chinese market, where Volvo CE remains the market leader in wheel loader and excavator sales, showed signs of increased stability, if not quite a market recovery. Elsewhere, there were improving trends in the Middle East and some European countries too. Demand in the important mining segment was weak during the year.

During 2013 net sales declined by 16% to SEK 53,437 M (63,558). Net sales declined in all markets. Adjusted for changes in exchange rates, net sales declined by 12%.

Operating income declined to SEK 2,952 M (5,667) and the operating margin amounted to 4.9% (8.9). Profitability was negatively impacted by lower sales, a negative product mix, price pressure and an unfavorable exchange rate development amounting to SEK 623 M.

New product development

In April Volvo CE attended the construction equipment industry's largest exhibition – Bauma – announcing its technical solution to the Tier 4 Final/Stage IV emissions regulations as well as displaying new products such as the ECR25D,

ECR58D and ECR88D short radius compact excavators and the P6870C asphalt paver. Product introductions were supported by new Volvo branded attachments, financing solutions, approved used equipment, genuine Volvo parts, customer support agreements and fleet management solutions.

Production and distribution

In 2013 Volvo CE further expanded the production footprint. In May the company opened a new excavator plant in Europe's second-largest market: Russia. The 20,660 square meter factory in Kaluga represents a SEK 350 M investment and is initially producing four models of Volvo excavators, spanning 20 to 50 tons.

Volvo CE also inaugurated wheel loader production in its Shippensburg facility in the U.S., along with a new headquarters for its Americas sales operation. Volvo CE also announced that it was moving production of backhoe loaders from Mexico to its main Latin American production facility in Pederneiras, Brazil.

SDLG started production of its excavators in Brazil. It was also announced that SDLG would enter the North American market, initially offering two wheel loaders through a selected group of dealers. SDLG also entered into a number of distribution agreements to sell machines throughout EMEA, Asia Pacific and North America, while in its Chinese home market the creation of SDLG Financial Services offers customers improved financial services.

2013 also saw the remote telematics system Caretrack reach a significant milestone: there are now 50,000 machines worldwide with the monitoring system.

Acquisition of hauler business from Terex

In December Volvo CE agreed to acquire the off-highway hauler business of the Terex Corporation for a purchase consideration of approx. SEK 1 billion on a cash and debt free basis. The acquisition improves Volvo CE's penetration in the core earthmoving segment and extends its presence in light mining. The deal, which is subject to regulatory approval, includes the main production facility in Motherwell, Scotland and two product ranges that offer both rigid and articulated haulers. It also includes the distribution of haulers in the U.S. as well as a 25.2% holding in Inner Mongolia North Hauler Joint Stock Co (NHL), which manufactures and sells rigid haulers under the Terex brand in China with a market-leading position. In the first nine months of 2013 the businesses in the acquisition (excluding NHL) had net sales amounting to approx. SEK 1.1 billion and the operating income was approx. SEK 35 M.

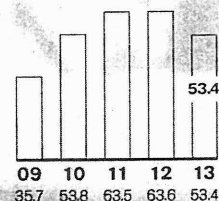
Net sales by market

SEK M	2013	2012
Europe	16,356	16,518
North America	8,319	12,027
South America	3,314	3,788
Asia	21,911	27,033
Other markets	3,539	4,193
Total	53,437	63,558

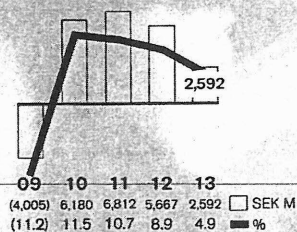
Deliveries by market

Number of machines	2013	2012
Europe	13,522	12,545
North America	5,240	6,782
South America	3,568	3,908
Asia	44,892	49,263
Other markets	3,564	2,982
Total deliveries	70,786	75,480
Of which		
Volvo	38,155	40,331
SDLG	32,631	35,149
Of which in China	27,559	30,780

Net sales SEK bn



Operating income (loss) and operating margin



The L105 is the a mid-sized wheel loader from Volvo Construction Equipment, designed specifically to meet the needs of customers in China and other emerging markets.

VOLVO PENTA

GOOD PROFITABILITY despite weak

DEMAND

The Volvo Group's high-technology diesel engines create a unique competitive edge for its trucks, construction equipment and buses. Volvo Penta is in charge of sales of the Group's diesel engines to external customers, including boat builders and manufacturers of industrial products, such as cranes and mining vehicles. >>

Facts Volvo Penta provides engines and power systems for leisure and commercial boats, as well as for industrial applications such as power generation and container trucks.

3% (2)



Share of Group net sales, %

Number of employees

1,412

Position on world market Volvo Penta is the world's largest producer of diesel engines for leisure boats and a leading, independent producer of industrial engines.

Volvo Penta was honored with a DAME Design Award for its Glass Cockpit concept at the Marine Equipment Trade Show in Amsterdam, the Netherlands. The DAME Design Awards go to the best and most trendsetting new marine equipment and accessories in the industry.

» Volvo Penta generates significant synergies for the Volvo Group's total volumes of diesel engines. Approximately 10% of total production in the Group's European diesel-engine plants and more than half of the Group's global volumes of 16-liter engines are delivered to Volvo Penta's customers.

The Industrial business segment, accounting for about half of sales, is the part of Volvo Penta's operation that generates the largest strategic engine volumes for the Volvo Group. Featuring unique performance, installation benefits and minimized environmental footprint, Volvo Penta's engines strengthen the competitiveness of world-leading industrial customers, such as Sandvik, Cargotec and Konecranes. By leveraging the strength of the Volvo Group's combined service offering, Volvo Penta is able to offer efficient support in the form of global service and aftermarket services.

To the greater public, Volvo Penta is best known for its globally leading marine drive systems – for both leisure and commercial boats. Over the decades, products such as the Aquamatic sterndrive and Duoprop have given Volvo Penta a global reputation as an innovative engine supplier to most of the strongest brands in the leisure boat industry. This year, the D4/D6 engine range is celebrating its ten-year anniversary in the market and has helped to progressively strengthen Volvo Penta's market-leading positions in Marine Leisure. As electronics make inroads into the marine industry, recent years have seen Volvo Penta increasingly move toward deliveries of complete boat-driver environments with a strong focus on comfort and user-friendliness.

In the Marine Commercial business segment, Volvo Penta delivers diesel engines for use under the toughest possible offshore conditions. Coast guards and sea-rescue organizations, ferry companies, port authorities and shipyards worldwide install Volvo Penta's reliable engines in boats for sea rescue, patrol, passenger transport, security and maintenance of offshore wind turbines, among other purposes.

Volvo Penta's marine customers have access to one of the world's strongest service support organizations comprising approximately 4,000 dealerships worldwide.

Continued weak leisure boat market

2013 marked the sixth consecutive year without growth in the European leisure boat market and, in the wake of the unchanged weak global demand for leisure boats, the consolidation

trend in the boat industry continued. During the year, several leading boat brands underwent ownership changes, at the same time as large parts of the boat industry were forced to continue cutbacks and rationalization measures.

Reduced demand in the Chinese construction sector was one of the underlying factors putting pressure on the global market for off-road industrial engines. In Europe, demand was upheld to a certain extent by pre-buy effects ahead of new emissions legislation that came into effect at year-end 2013.

The total market for diesel engine gensets, Volvo Penta's largest industrial engines segment, remained stable.

Positive earnings trend

Volvo Penta's net sales declined by 1% to SEK 7,550 M compared with SEK 7,631 M in 2012. Adjusted for changes in exchange rates, net sales increased by 2%.

Operating income totaled SEK 626 M, compared with SEK 549 M in the preceding year. The operating margin was 8.3% (7.2). Earnings were positively impacted primarily by good cost control and negatively impacted by currency in an amount of SEK 101 M.

Extensive range of new products

Volvo Penta's new Glass Cockpit System is an integrated control and monitoring system that fundamentally changes the design of the boat driver's environment. The new system gathers all relevant information for the boat driver and presents it on one or more displays, enabling a common, ergonomic design – and interface – for the entire dashboard of the boat.

In the industrial engine segment, Volvo Penta launched a complete and entirely new range of five to 16-liter engines during the year that will meet the new and more stringent legal requirements on emissions. The new engines, which significantly strengthen Volvo Penta's product offering in the off-road segment, are fuel efficient, easy to install and offer highly competitive properties in terms of total running costs.

In the Marine Commercial segment, Volvo Penta launched new versions of its Inboard Performance System (IPS). As a result of the unparalleled efficiency of its forward-facing propellers, IPS has had a strong impact on the leisure boat market. The continued expansion of the range allows the system's unique environmental properties to feature on a growing number of boat models, also within commercial shipping.

Net sales by market

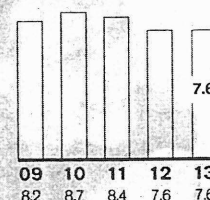
Mkr	2013	2012
Europe	3,714	3,620
North America	1,491	1,486
South America	297	306
Asia	1,692	1,867
Other markets	356	352
Total	7,550	7,631

Engine volumes

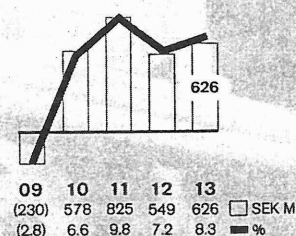
Number of units	2013	2012
Marine engines ¹	17,427	17,240
Industrial engines	17,651	17,584
Total	35,078	34,824

¹ Excluding outboard engines.

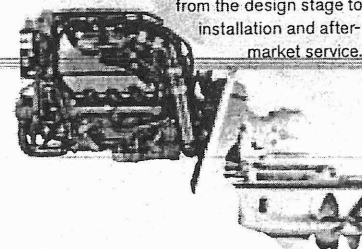
Net sales SEK bn



Operating income (loss) and operating margin



Volvo Penta is the Volvo Group's marine specialist and acts as an independent supplier, supporting customers from the design stage to installation and after-market service.



VOLVO FINANCIAL SERVICES

STRONG

GROWTH AND SOLID

PROFITABILITY

Volvo Financial Services (VFS) designs and delivers competitive financial solutions which strengthen long-term relationships with Volvo Group customers and dealers. As the number one provider of financial solutions for Volvo Group product sales, VFS consistently adds value for its customers and builds loyalty to the Volvo Group brands. >>

Facts Volvo Financial Services conducts operations in customer and dealer financing.

3% (3)



Share of Group net sales, %

Number of employees

1,355

Position on world market Volvo Financial Services operates exclusively to support the sales of vehicles and equipment which are produced by the Volvo Group. In doing so, VFS enhances the competitiveness of the Volvo Group products and helps secure loyalty to the Volvo Group brands.

Brands VFS provides financial services for each of the Volvo Group brands.

VFS closed the year 2013 with the highest level of assets under management in its history.



» The financial services of VFS are offered with the sales of Volvo Group vehicles and equipment and are available with service agreements and aftermarket services through seamless integration at the point-of-sale with Volvo Group dealers. This approach delivers a convenient one stop-shopping experience for the customer.

Solid profitability

In 2013, VFS provided financial services in 40 markets around the globe. The global diversification of the VFS portfolio proved to be a significant strength as assets under management reached all-time highs. This profitable growth along with stable portfolio performance, increased operational efficiency and good funding levels yielded solid profitability for VFS in 2013.

Operational consolidation, process standardization and systems harmonization were key activities during 2013. These activities allowed VFS to capitalize on profitable growth opportunities with scalable business platforms and high service levels.

Portfolio development

Overall economic conditions continued to improve during 2013 and demand for VFS products remained strong even though some markets struggled for growth.

In the Americas, record managed assets and retail volumes were achieved and the portfolio performed extremely well in terms of delinquencies and write-offs.

EMEA (Europe, Middle East and Africa) achieved a stable portfolio performance but new volumes were impacted by the relatively slow demand in truck and construction equipment markets.

In APAC (Asia Pacific), profitability remained good despite delinquencies in China remaining on elevated levels.

In all VFS markets, and particularly in developing markets, downturn preparedness is a key objective regardless of the current business cycle.

Customer finance operations

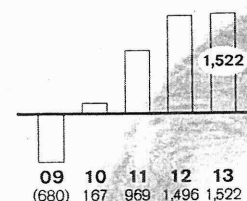
Total new financing volume in 2013 amounted to SEK 47.0 billion (46.6). Adjusted for changes in exchange rates, new business volume increased by 5.9% compared to 2012. In total, 51,466 new Volvo Group vehicles and machines (50,994) were financed during the year. In the markets where financing is offered, the average penetration rate was 27% (27).

As of December 31, 2013, the net credit portfolio amounted to SEK 103,873 M (99,690). The funding of the credit portfolio is matched in terms of maturity, interest rates and currencies in accordance with Volvo Group policy. For further information see note 4 to the Consolidated financial statements.

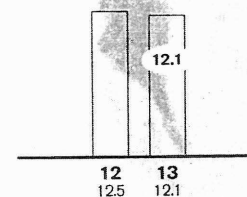
The operating income for the year amounted to SEK 1,522 M compared to SEK 1,496 M in the previous year. Return on shareholders' equity was 12.1% (12.5). The equity ratio at the end of the year was 8.1% (8.1). Improvements in gross income and operating expenses were partially offset by higher credit provisions.

During the year, credit provision expenses amounted to SEK 923 M (639) while write-offs of SEK 719 M (577) were recorded. Third quarter provisions and write-offs were higher than normal due to deterioration of collateral positions and values related to non-performing loans and leases in Spain stemming from the global financial crisis in 2009 and 2010 caused by the continuing recession and protracted legal processes in that country. The write-off ratio for 2013 was 0.71% (0.58). At the end of December 31, 2013, credit reserves were 1.31% (1.23) of the credit portfolio.

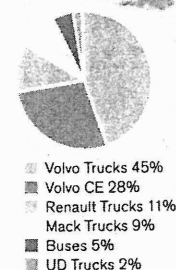
Operating income (loss) SEK M



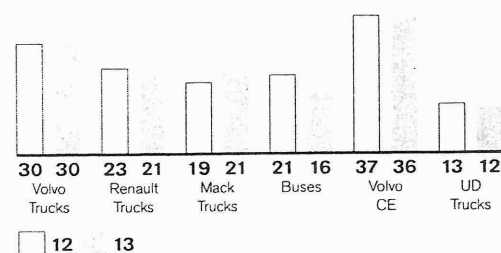
Return on shareholders' equity %



Distribution of credit portfolio



Penetration rate¹, %



¹ Share of unit sales financed by Volvo Financial Services in relation to total number units sold by the Volvo Group in markets where financial services are offered.

FINANCIAL MANAGEMENT

Balancing the requirements of different stakeholders

The objectives of the financial management in the Volvo Group is to assure shareholders long-term attractive and stable total return, and debt providers the financial strength and flexibility to secure proceeds and repayment.

A long-term competitive market position requires access to capital to be able to invest and grow the business. The financial management secures that the capital is used in the best possible way through well-defined ratios and objectives for the Industrial Operations as well as for the Customer Finance Operations. The objectives on net sales growth and operating margins for the Industrial Operations and return on equity for the Customer Finance Operations are intended to secure the return requirements from shareholders. The restrictions on net debt to equity for the Industrial Operations and equity ratio for the Customer Finance Operations are to secure financial stability and flexibility for debt providers.

Steering principles to ensure financial flexibility over the business cycle

To ensure financial stability and flexibility throughout the business cycle the Volvo Group holds a strong liquidity position. Besides cash and marketable securities the liquidity position is built up of committed credit facilities. The funding and lending is in local currency and the cus-

tomer finance portfolio is matched both from an interest and a liquidity risk perspective.

Diversified funding sources give flexibility and support the global presence

The Volvo Group has centralized the portfolio management of all financial assets and liabilities, funding operations and cash management through the internal bank, Volvo Treasury. The liability portfolio is separated into two portfolios, one for Industrial Operations and one for Customer Finance, to correspond to the needs in the different operations.

Volvo Treasury is increasing the possibility to access capital markets at all times through diversified funding sources. Furthermore, the Volvo Group's global presence is supported by market programs on all major debt capital markets in the world. Besides the access to capital markets around the world, the Volvo Group uses different instruments, such as bilateral bank funding, corporate bonds and certificates, agency funding as well as securitization of assets in the Customer Finance portfolio. An increasingly im-

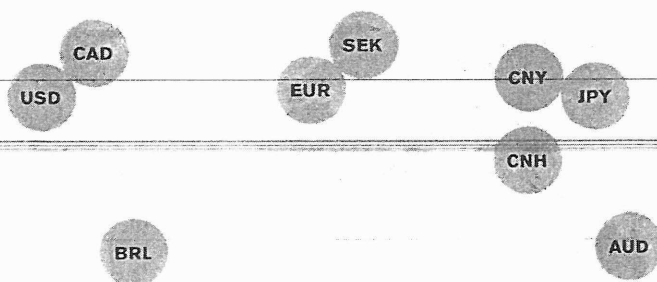
portant part of the treasury work is also to manage increased funding needs in new growth markets for the Group.

A strong and stable credit rating is important

Being a large issuer with a growing customer financing business, it is critical to have a strong and stable credit rating. The level of the credit rating is not only important for debt investors but also for a number of other stakeholders when it comes to creating long-term relationships. A strong credit rating has a positive effect on the ability to attract and finance customers' purchases of the Group's products and on the trust from suppliers.

The Volvo Group has contractual relations with two global Credit Rating Agencies (CRA's) for solicited credit ratings; Standard & Poors' Rating Services (S&P) and Moody's Investors Service (Moody's). In late September and early October the outlook on the AB Volvo credit rating was changed from stable to negative, both on the S&P BBB rating and on Moody's Baa2 rating. There are also agreements with CRAs in Canada and Japan for local credit ratings. The CRA's evaluate the Volvo Group's future ability to repay debt. A strong credit rating gives access to more funding sources and lower cost of funds.

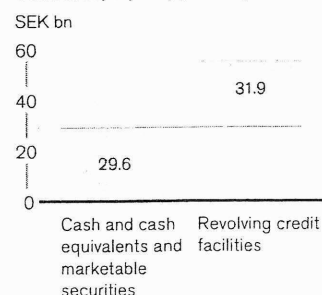
Geographically diversified market programs



Credit rating at February 21, 2014

	Short-term	Long-term
Moody's (Global)	P-2	Baa2, negative
S&P Corporate Credit Rating	A2	BBB, negative
S&P Nordic National Scale	K-2	-
DBRS (Canada)	R-2 (high)	-
R&I (Japan)	a-1	A, stable

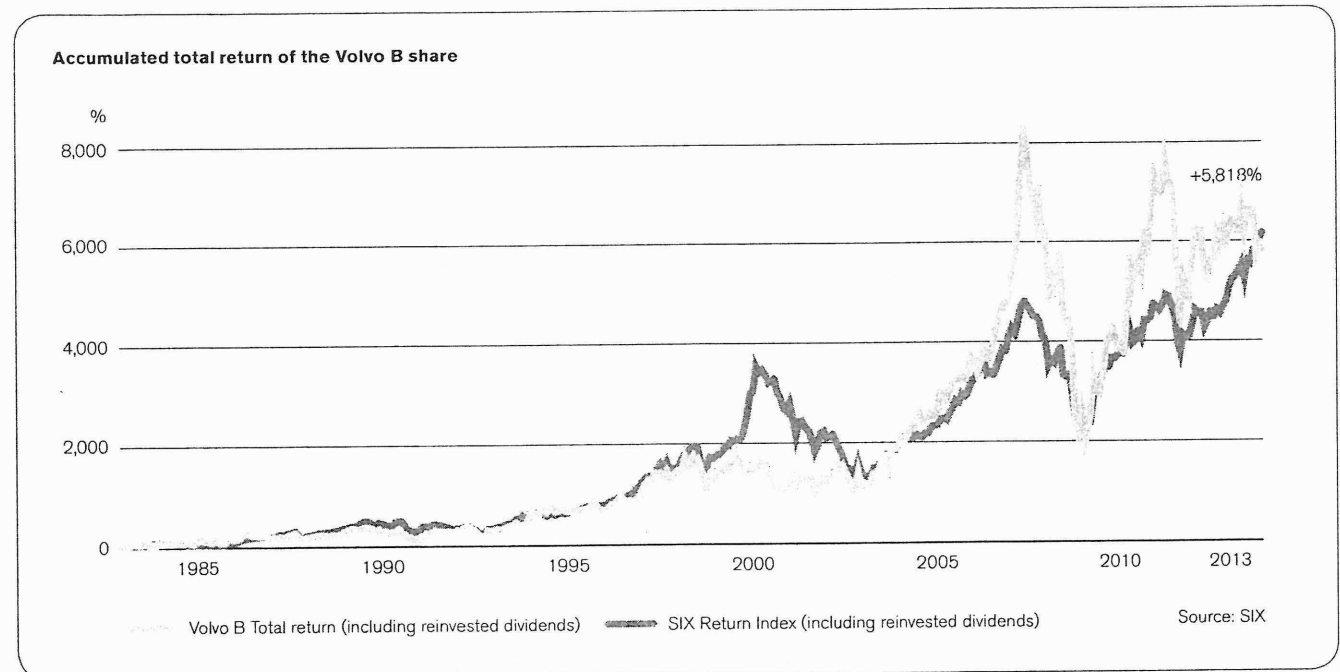
Volvo Group liquidity position, December 31, 2013



SHAREHOLDER VALUE

Long-term value creation

The Volvo Group strives to create long-term value for its shareholders.

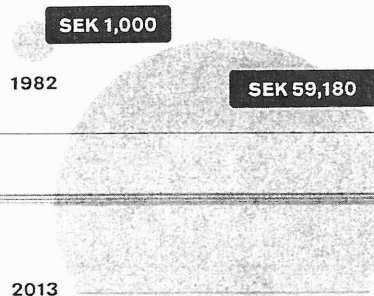


The Volvo Group's origins can be traced to 1927, when the first serial produced Volvo car rolled out of the factory in Gothenburg, Sweden. The first serial produced truck saw the light of day in 1928 and was an immediate success. In 1935, AB Volvo was listed on the Stockholm Stock Exchange. All through its history, the Volvo Group has strived to create long-term value for its shareholders.

The graph shows the total return for the Volvo B share, measured as the share price development with all dividends re-invested, since December 30, 1982, which is as far back as the comparison index, SIX Return Index, stretches. SIX Return Index measures the total return for the Stockholm Stock Exchange as whole.

The graph shows that SEK 1,000 invested in the Volvo B-share in 1982 had grown to SEK 59,180 at the end of 2013, under the condition that all dividends have been reinvested in Volvo B shares.

SEK 1,000 invested in Volvo B shares on December 30, 1982, was worth SEK 59,180 at the end of 2013.



THE SHARE

The most traded share in Stockholm

Many of the world's leading stock markets had a positive development in 2013. The Volvo share, however, had a negative development.

The Volvo share is listed on NASDAQ OMX in Stockholm, Sweden. One A share carries one vote at Annual General Meetings and one B share carries one tenth of a vote. Dividends are the same for both classes of shares. The A share is traded under the ticker code Volvo A and the B share under Volvo B.

The Volvo share is included in a large number of indexes that are compiled by Dow Jones, FTSE, S&P and NASDAQ OMX Nordic.

The Volvo share decreased in value

In general, developments on the leading stock exchanges were positive during 2013. On NASDAQ OMX Stockholm, the broad OMXSPI index rose by 23% (12) during the year.

On NASDAQ OMX Stockholm the share price for the Volvo A share decreased by 5%, and at year-end the price for the Volvo A share was SEK 84.50 (89.40). The lowest price paid was SEK 80.50 on December 16, and the highest price paid was SEK 103.80 on September 23.

The share price for the Volvo B share decreased by 5% and was SEK 84.45 (88.80) at year-end. The lowest price paid was SEK 80.40 on December 16, and the highest price paid was SEK 104.00 on September 23.

In 2013, a total of 1.9 billion (2.1) Volvo shares at a value of SEK 179 billion (188) were traded on NASDAQ OMX Stockholm, corresponding to a daily average of 7.7 million shares (8.5). The

Volvo share was the most traded share on NASDAQ OMX Stockholm in 2013. At year-end, Volvo's market capitalization totalled SEK 180 billion (189).

According to Fidessa, the trading on NASDAQ OMX Stockholm accounted for 48% (46) of the turnover in the Volvo B share while the remainder took place at exchanges such as BATS, Chi-X, Burgundy and Turquoise.

Share conversion option

In accordance with a resolution on the AGM on April 6, 2011, the Articles of Association have been amended to include a conversion clause, stipulating that series A shares may be converted into series B shares, after a request sent to the Board.

During the year a total of 27,245,422 A shares were converted to B shares, representing 5.0% of the outstanding A shares at the end of 2012.

Further information on the procedure is available on the Volvo Group's web site: www.volvogroup.com

Ownership changes

During the year both Industrivärden and Cevian Capital as well as Norges Bank increased their holdings in AB Volvo. At year end, Industrivärden was the largest owner followed by Cevian Capital, Norges Bank Investment Management, SHB and Alecia, when measured as share of voting rights.

Dividend

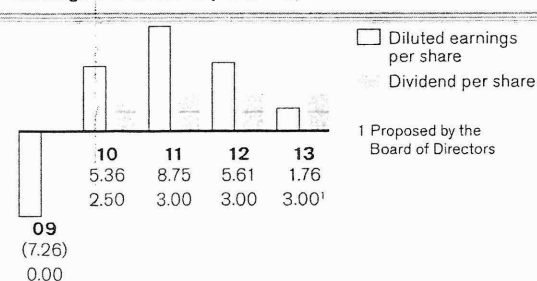
The Board proposes a dividend of SEK 3.00 per share for the financial year of 2013, which would mean that a total of SEK 6,084 M would be transferred to AB Volvo's shareholders. For the preceding year a dividend of SEK 3.00 per share was paid out.

Communication with shareholders

Dialogue with the shareholders is important for Volvo. In addition to the Annual General Meeting and a number of larger activities aimed at professional investors, private shareholders and stock market analysts, the relationship between Volvo and the stock market is maintained through such events as press and telephone conferences in conjunction with the publication of interim reports, meetings with retail shareholders' associations, investor meetings and visits, as well as road shows in Europe, North America and Asia.

On the website www.volvogroup.com it is possible to access financial reports, search for information concerning the share, insider trading in Volvo shares and statistics for truck deliveries. It is also possible to access information concerning the Group's governance, including information about the Annual General Meeting, the Board of Directors, Group Management and other areas that are regulated in the "Swedish Code of Corporate Governance." The website also offers the possibility to subscribe to information from Volvo.

Earnings and dividend per share, SEK



The Volvo Group once again qualifies for the Dow Jones Sustainability World Index (DJSI). The Volvo Group receives a particularly good rating for its implementation of the environmental policy and management systems. The Volvo Group was also acknowledged for its great improvement in how the organization works with anti-competitive business practices as well as its clear direction and focus for guiding its corporate citizenship and philanthropy programs. Other highlighted areas were the Volvo Group's dedication to innovation in both products and processes.

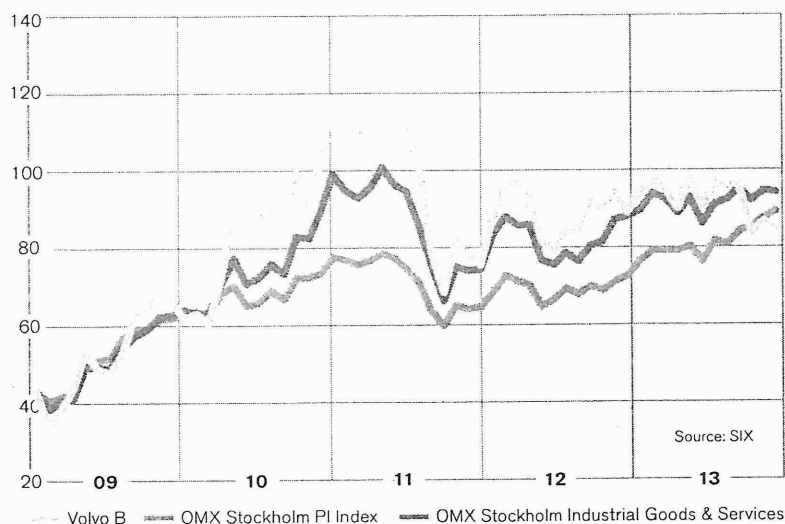
In this ranking, the world's 3,000 largest companies are assessed on the basis of their strategies and results in spheres such as business ethics, environmental consideration and social criteria, with the focus on their ability to generate long-term value. The top 300 companies, a category that encompasses the Volvo Group, are included in the DJSI World.

MEMBER OF

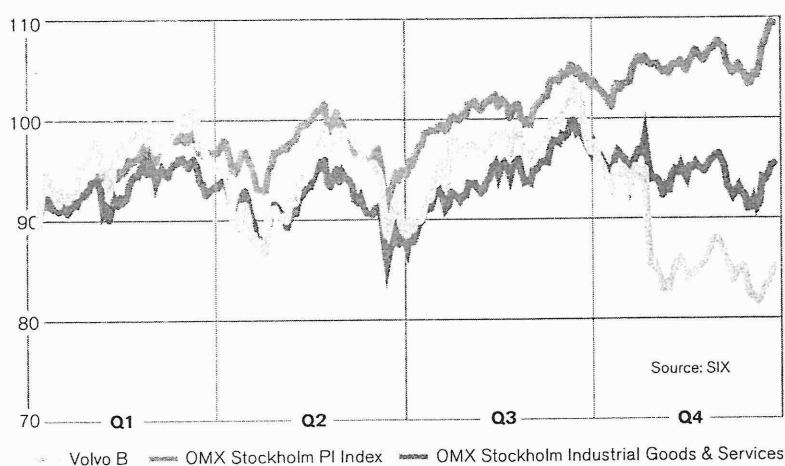
Dow Jones Sustainability Indices

In Collaboration with RobecoSAM

Price trend, Volvo Series B shares, 2009–2013, SEK



Price trend, Volvo Series B shares, 2013, SEK



The largest shareholders in AB Volvo, December 31¹

	2013	Voting rights, % 2012
Industrivärden	20.2	19.5
Cevian Capital	11.0	6.5
Norges Bank Investment Management	6.3	5.1
SHB ²	5.8	5.5
Alecta	4.4	4.4

¹ Adjusted for shares owned by AB Volvo, which carry no voting rights at the AGM. AB Volvo held 20,728,135 class A shares and 79,592,353 class B shares comprising in total 4.7% of the number of registered shares on December 31, 2013.

² Comprises shares held by SHB, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

Share capital, December 31, 2013

Registered number of shares ¹	2,128,420,220
of which, Series A shares ²	519,298,953
of which, Series B shares ³	1,609,121,267
Quota value, SEK	1.20
Share capital, SEK M	2,554
Number of shareholders	246,265
Private persons	229,126
Legal entities	17,139

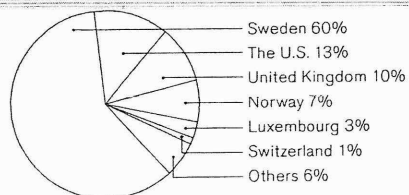
For further details on the Volvo share, see note 19.

¹ The number of outstanding shares was 2,028,099,732 at December 31, 2013.

² Series A shares carry one vote each.

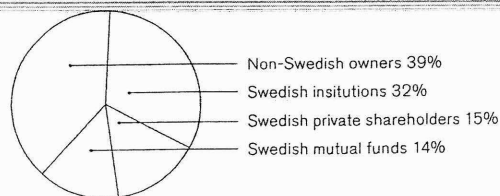
³ Series B shares carry one tenth of a vote each.

Ownership by country¹



¹ Share of capital, registered shares.

Ownership categories¹



¹ Share of capital, registered shares.

The employees' ownership of shares in Volvo through pension foundations is insignificant.

» More details on the Volvo share and Volvo's holding of treasury shares are provided in note 19 to the financial statements and in the Eleven-year summary.

RISKS AND UNCERTAINTIES

Managed risk-taking

All business operations involve risk – managed risk-taking is a condition of maintaining a sustained favorable profitability.

Risk may be due to events in the world and can affect a given industry or market. Risk can be specific to a single company. At the Volvo Group work is carried out daily to identify, measure and manage risk – in some cases the Group can influence the likelihood that a risk-related event will occur. In cases in which such events are beyond the Group's control, the Group strives to minimize the consequences.

AB Volvo has, for more than five years, worked with enterprise risk management (ERM), which is a systematic and structured process to identify, understand, aggregate, report and mitigate the risks that might threaten Group strategic objectives. The aim of ERM is to improve business performance and optimize the costs of managing risk; i.e. protecting and enhancing the Volvo Group's enterprise value. ERM contributes to meeting the high standards of corporate governance expected from the Group's stakeholders and is looked upon as an integral part of good corporate governance as reflected in the Swedish Corporate Governance Code.

The risks to which the Volvo Group are exposed are classified into three main categories:

- **External-related risks** – such as the cyclical nature of the commercial vehicles business, intense competition, changes in prices for commercial vehicles and government regulations.
- **Financial risks** – such as currency fluctuations, interest level fluctuations, market value of shares or similar instruments, credit risk and liquidity risk.
- **Operational risks** – such as market reception of new products, reliance on suppliers, protection of intangible assets, complaints and legal actions by customers and other third parties and risk related to human capital.

EXTERNAL-RELATED RISK

The commercial vehicles industry is cyclical

The Volvo Group's markets undergo significant changes in demand as the general economic environment fluctuates. Investments in infrastructure, major industrial projects, mining and housing construction all impact the Group's operations as its products are central to these sectors. Adverse changes in the economic conditions for the Volvo Group's customers may also impact existing order books through cancellations of previously placed orders. The cyclical demand for the Group's products makes the financial result of the operations dependable on the Group's ability to react quickly to changes in demand, in particular to the ability to adapt production levels and production and operating expenses.

Intense competition

Continued consolidation in the industry is expected to create fewer but stronger competitors. Our major competitors are Daimler, Iveco, MAN, Navistar, Paccar, Scania, Sinotruk, Brunswick, Caterpillar, CNH, Cummins, Deere, Hitachi, Komatsu and Terex. In recent years, new competitors have emerged in Asia, particularly in China. These new competitors are mainly active in their domestic markets, but are expected to increase their presence in other parts of the world.

Prices may change

The prices of commercial vehicles have, at times, changed considerably in certain markets over a short period. This instability is caused by several factors, such as short-term variations in demand, shortages of certain component products, uncertainty regarding underlying economic conditions, changes in import regulations,

excess inventory and increased competition. Overcapacity within the industry can occur if there is a lack of demand, potentially leading to increased price pressure.

Extensive government regulation

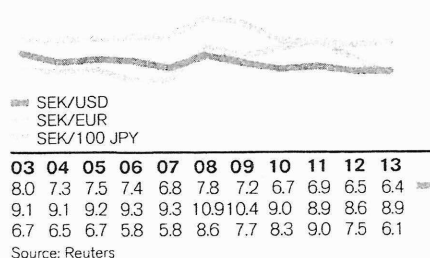
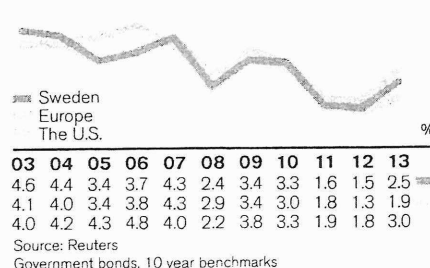
Regulations regarding exhaust emission levels, noise, safety and levels of pollutants from production plants are extensive within the industry.

Most of the regulatory challenges regarding products relate to reduced engine emissions. The Volvo Group is a significant player in the commercial vehicle industry and one of the world's largest producers of heavy-duty diesel engines. The product development capacity within the Volvo Group is well consolidated to be able to focus resources for research and development to meet tougher emission regulations. Future product regulations are well known, and the product development strategy is well tuned to the introduction of new regulations.

FINANCIAL RISK

In its operations, the Volvo Group is exposed to various types of financial risks. Group-wide policies, which are updated and decided upon annually, form the basis of each Group company's management of these risks. The objectives of the Group's policies for management of financial risks are to optimize the Group's capital costs by utilizing economies of scale, to minimize negative effects on income as a result of changes in currency or interest rates, to optimize risk exposure and to clarify areas of responsibility. Monitoring and control that established policies are adhered to is continuously conducted. Information about key aspects of the Group's system for internal controls and risk management in conjunction with the financial reporting is provided in the Corporate Governance Report on page 104–106 in the printed version. Most of the Volvo Group's financial transactions are carried out through the in-house bank, Volvo Treasury, that conducts its operations within established risk mandates and limits. Customer credit risks are mainly managed by the different business areas.

The nature of the various financial risks and objectives and the policies for the management of these risks are described in detail in notes 4 and 30. Various aspects of financial risk are

Currencies**Interest rates in Sweden, Europe and the U.S.**

described briefly in the following paragraphs. Volvo Group's accounting policies for financial instruments are described in note 30. The overall impact on a company's competitiveness is also affected however by how various macro-economic factors interact.

Interest-related risk

Interest-related risk includes risks that changes in interest rates will impact the Group's income and cash flow (cash-flow risks) or the fair value of financial assets and liabilities (price risks).

Currency-related risk

More than 90% of the net sales of the Volvo Group are generated in countries other than Sweden. Changes in exchange rates have a direct impact on the Volvo Group's operating income, balance sheet and cash flow, as well as an indirect impact on Volvo's competitiveness, which over time affects the Group's earnings.

Credit-related risk

An important part of the Group's credit risk is related to how the financial assets of the Group have been placed. The majority are placed in interest-bearing bonds issued by Swedish real estate financing institutions.

Liquidity risk

The Volvo Group ensures its financial preparedness by always maintaining a certain portion of revenues in liquid assets.

Market risk from investments in shares or similar instruments

The Volvo Group is indirectly exposed to market risks from shares and other similar instruments, as a result of managed capital transferred to independent pension plans being partly invested in instruments of these types. Please see note 20 for further information.

OPERATIONAL RISK

The profitability depends on successful new products

The Volvo Group's long-term profitability depends on the Company's ability to successfully launch and market its new products. Product life cycles continue to shorten, putting increased focus on the success of the Group's product development.

Reliance on suppliers

The Volvo Group purchases raw materials, parts and components from numerous external suppliers. A significant part of the Group's requirements for raw materials and supplies is filled by single-source suppliers. The effects of delivery interruptions vary depending on the item or component. Certain items and components are standard throughout the industry, whereas others are internally developed and require unique tools that are time-consuming to replace.

The Volvo Group's costs for raw materials and components can vary significantly over a business cycle. Cost variations may be caused by changes in world market prices for raw materials or by an inability of our suppliers to deliver.

Intangible assets

AB Volvo owns or otherwise has rights to patents and brands that refer to the products the Company manufactures and markets. These have been acquired over a number of years and are valuable to the operations of the Volvo Group. AB Volvo does not consider that any of the Group's operations are heavily dependent on any single patent or group of patents.

Through Volvo Trademark Holding AB, AB Volvo and Volvo Car Corporation jointly own the Volvo brand. AB Volvo has the exclusive right to use the Volvo name and trademark for its products and services. Similarly, Volvo Car Corporation has the exclusive right to use the Volvo name and trademark for its products and services.

The Volvo Group's rights to use the Renault brand are restricted to the truck operations only and are regulated by a license from Renault s.a.s., which owns the Renault brand. The amount paid during 2013 to Renault s.a.s. for license fees amounted to SEK 5.2 M (6.4).

The Volvo Group's rights to use the Panhard brand are regulated by a license from Peugeot SA. The amount paid during 2013 to Peugeot SA for license fees amounted to SEK 87,000 (90,000).

Complaints and legal actions

The Volvo Group could be the target of complaints and legal actions initiated by customers, employees and other third parties alleging health, environmental, safety or business related issues, or failure to comply with applicable legislation and regulations. Information about legal proceedings involving entities within the Volvo Group are found in note 24 Contingent Liabilities.

Even if such disputes are resolved successfully, without having adverse financial consequences, they could negatively impact the Group's reputation and take up resources that could be used for other purposes.

Risk related to human capital

A decisive factor for the realization of the Volvo Group's vision is our employees and their knowledge and competence. Future development depends on the company's ability to maintain its position as an attractive employer. To this end, the Volvo Group strives for a work environment in which energy, passion and respect for the individual are guiding principles. Every year a Group-wide survey is conducted, and according to the survey the share of satisfied employees has been on a high level in recent years.

SHORT-TERM RISK FACTORS

An increase in demand could potentially result in delivery disturbances due to suppliers' financial instability or shortage of resources.

Uncertainty regarding customers' access to the financing of products in emerging markets might have a negative impact on demand.

The Volvo Group verifies annually, or more frequently if necessary, the goodwill value and other intangible assets for possible impairment. The size of the overvalue differs between the business areas and they are, to a varying degree, sensitive to changes in the business environment. Instability in the business recovery and volatility in interest and currency rates may lead to indications of impairment.

For further information on intangible assets, see note 12.

The reported amounts for contingent liabilities reflect a part of the Volvo Group's risk exposure, see note 24 for contingent liabilities.

Contractual conditions related to take over bids

Some of AB Volvo's long term loan agreements contain conditions stipulating the right for a bondholder to request repayment in advance under certain conditions following a change of the control of the company. In AB Volvo's opinion it has been necessary to accept those conditions in order to receive financing on otherwise acceptable terms. Provisions stipulating that an agreement can be changed or terminated if the control of the company is changed are also included in some of the agreements whereby Renault Trucks' has been given the right to sell Renault s.a.s.' and Nissan Motor Co. Ltd's light-duty trucks as well as in some of the Group's purchasing agreements.

» Further information

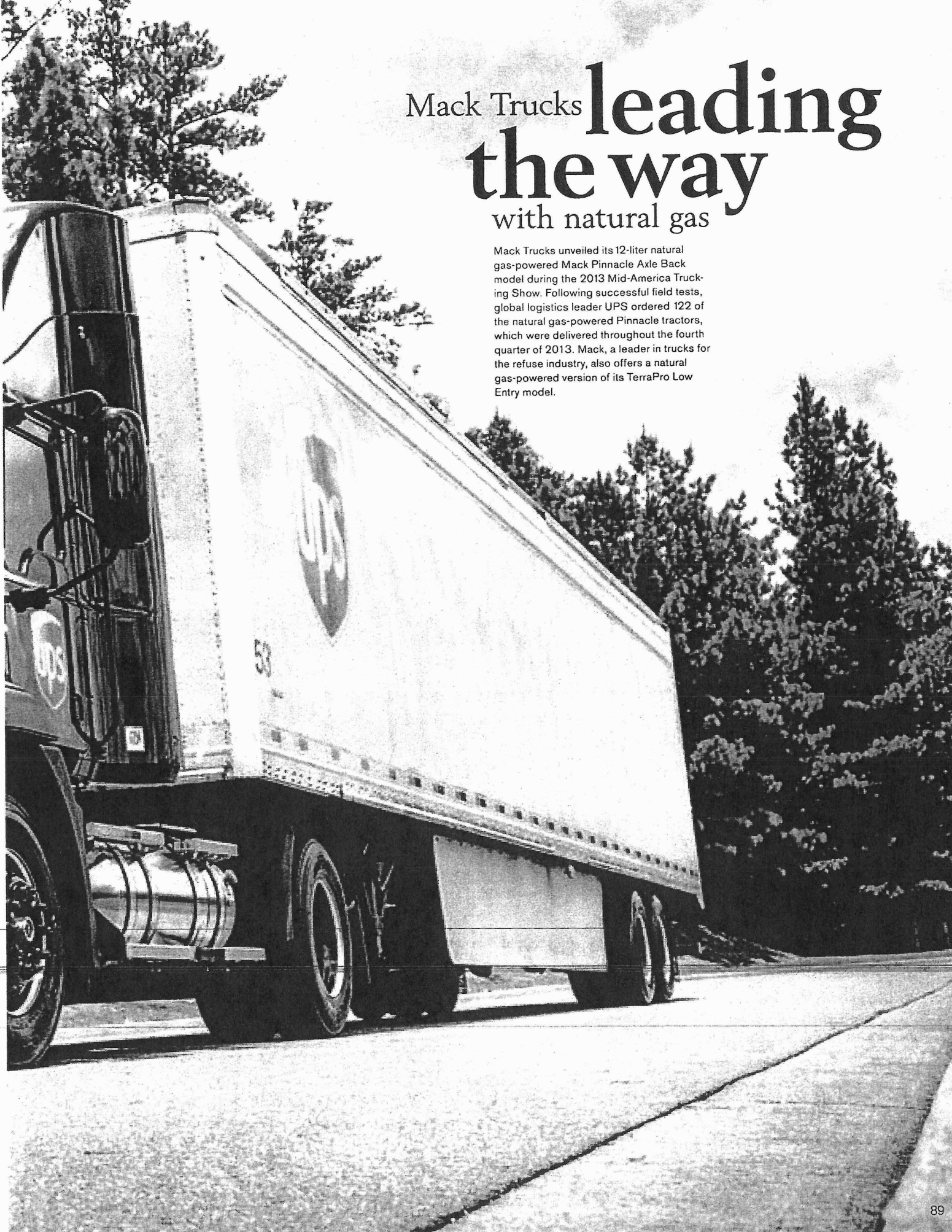
Note 27 Personnel contains information concerning rules on severance payments applicable for the Group Executive Team and certain other senior executives.

Note 4 and 30 contain information regarding financial risks as well as goals and policies in financial risk management.

Further risk information is provided in note 24.

Information about licensable facilities in Sweden is provided on page 46.





Mack Trucks **leading the way** with natural gas

Mack Trucks unveiled its 12-liter natural gas-powered Mack Pinnacle Axle Back model during the 2013 Mid-America Trucking Show. Following successful field tests, global logistics leader UPS ordered 122 of the natural gas-powered Pinnacle tractors, which were delivered throughout the fourth quarter of 2013. Mack, a leader in trucks for the refuse industry, also offers a natural gas-powered version of its TerraPro Low Entry model.

Corporate Governance Report

Significant events during 2013

» In January, AB Volvo signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45 percent of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV), which will include the major part of DFG's medium- and heavy-duty commercial vehicles business.

» During 2013, the Volvo Group continued the renewal of its truck products ranges within Volvo Trucks, Renault Trucks, UD Trucks and VE Commercial Vehicles Ltd.

» In October, the Board of Directors visited the Group's businesses in China and also plants within DFCV's businesses in China.

» In September, a comprehensive Group-wide efficiency program linked to the strategies was announced. The program encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system.

» In December, the Volvo Group decided to sell Volvo Rents to the US private equity firm Platinum Equity.

The Swedish Corporate Governance Code

AB Volvo's shares are admitted to trading on the NASDAQ OMX Stockholm and accordingly, Volvo complies with NASDAQ OMX Stockholm's Rule Book for Issuers. As a listed company, Volvo also applies the Swedish Corporate Governance Code (the Code), which is available at www.bolagsstyrning.se.

Between January 1, 2013 and December 31, 2013, Volvo did not deviate from any of the regulations set forth in the Code.

This Corporate Governance Report was prepared in accordance with the Swedish Annual Accounts Act and the Code, and is separate from the Annual Report. The report has been examined by Volvo's auditors and includes a report from the auditors.

Corporate Governance Model

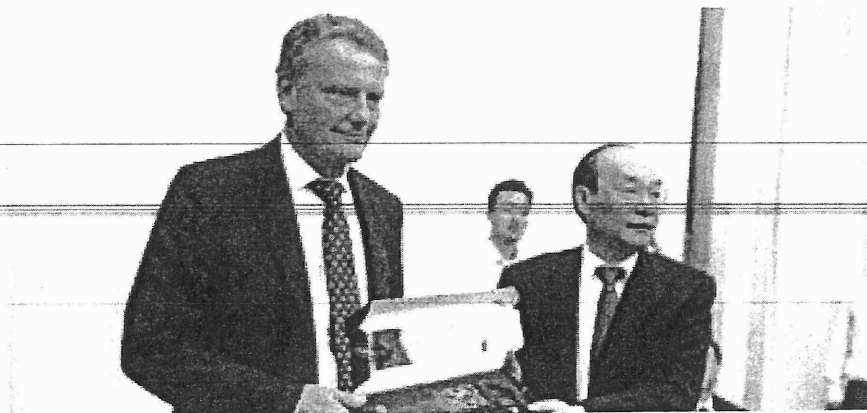
The governance and control of the Volvo Group is carried out through a number of corporate bodies. At the General Meetings of AB Volvo, which is the Parent Company in the Volvo Group, the shareholders exercise their voting rights with regard to for example the composition of the Board of Directors of AB Volvo and election of auditors.

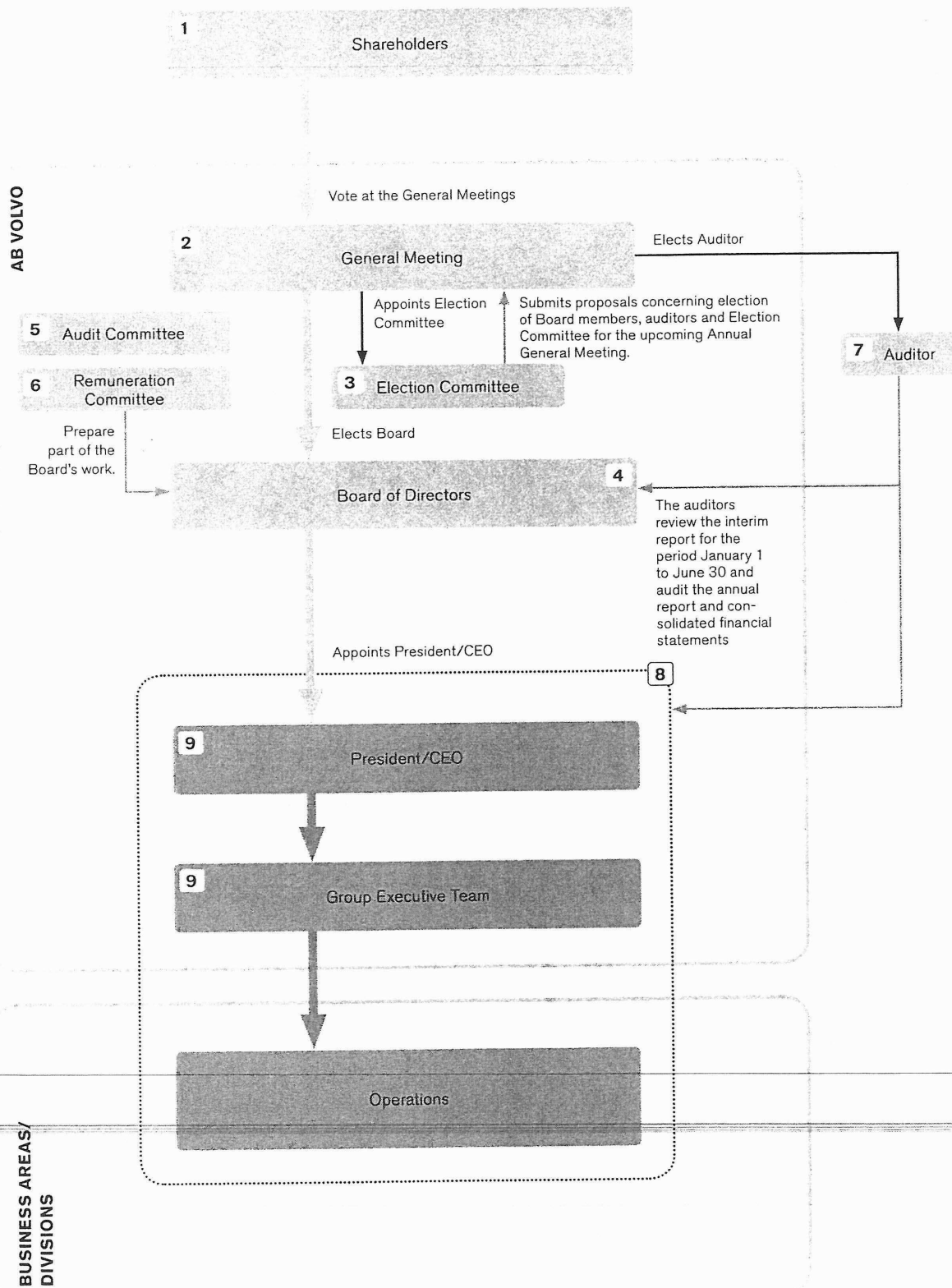
An Election Committee, appointed by the Annual General Meeting of AB Volvo, submits proposals to the next Annual General Meeting concerning the election of Board members, Board Chairman and, when necessary, external auditors, and proposals for resolutions concerning fees to the Board and the auditors.

The Board is ultimately responsible for Volvo's organization and management of the operations. The duties of the Board are partly exercised through its Audit Committee and its Remuneration Committee.

In addition, the Board appoints the President of AB Volvo, who is also the Chief Executive Officer (CEO) of the Volvo Group. The CEO is in charge of the daily management of the Group in accordance with guidelines and instructions provided by the Board.

Division of responsibilities and duties between General Meetings, the Board of Directors and the President are regulated inter alia by the Swedish Companies Act, Volvo's articles of association, the Code and the Board's work procedures.





1 Shares and shareholders

AB Volvo's share register is kept by Euroclear Sweden AB. On December 31, 2013, Volvo had 246,264 shareholders according to the share register. The largest shareholder on that date was AB Industrivärden, with 19.4 percent of the votes based on the number of registered shares. Cevian Capital held 10.5 percent of the votes, Norges Bank Investment Management held 6.1 percent of the votes and Svenska Handelsbanken together with SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen held 5.6 percent of the votes, based on the number of registered shares.

Volvo has issued two classes of shares: series A and series B. In a vote at a General Meeting, series A shares carry one vote and series B shares one-tenth of a vote. The two share classes carry equal rights to a share in the assets and earnings of the company. According to a special share conversion clause in the Articles of Association, holders of series A shares are entitled to request that their series A shares are converted to series B shares. Implementation of such conversions entails that the total number of votes in the company decreases.

At the end of 2013, the total number of shares in AB Volvo amounted to 2,128,420,220, of which series A shares accounted for 519,298,953 and series B shares accounted for 1,609,121,267. The total number of votes amounted to 680,211,089.70.

For more information about the Volvo share and its shareholders, refer to the Board of Director's report on pages 84-85 of the Annual Report.

2 General Meeting

General

The General Meeting is Volvo's highest decision-making body. The General Meeting held within six months after the end of the fiscal year adopting the income statement and the balance sheet is called the Annual General Meeting. The Annual General Meeting of Volvo is normally held in Gothenburg. In addition to resolutions concerning adoption of the income statement and balance sheet for AB Volvo and the Volvo Group, the Annual General Meeting also adopts resolutions concerning allocations of profit, the composition of Volvo's Board, directors' fees and elects, when applicable, external auditors. Notice to attend a General Meeting is issued in the form of an announcement in Post och Inrikes Tidningar (Swedish Official Gazette) and on the company's website. The fact that notice has been issued is announced in Dagens Nyheter and Göteborgs-Posten.

Shareholders who are recorded in the share register five working days prior to a General Meeting and who have notified Volvo of their participation in a certain order, are entitled to participate in the Meeting, in person or by proxy, and to vote for or against the proposals put forward at the Meeting, and to present questions to the Board and the President.

A shareholder who wants the Meeting to consider a special matter must submit a request to the Board in sufficient time prior to the Meeting to the address provided on Volvo's website, www.volvogroup.com.

Resolutions at a General Meeting are normally passed by simple majority and for elections, the person who receives the most votes is considered elected. However, certain resolutions, such as amendment of the Articles of Association, require a decision by a qualified majority.

Annual General Meeting 2013

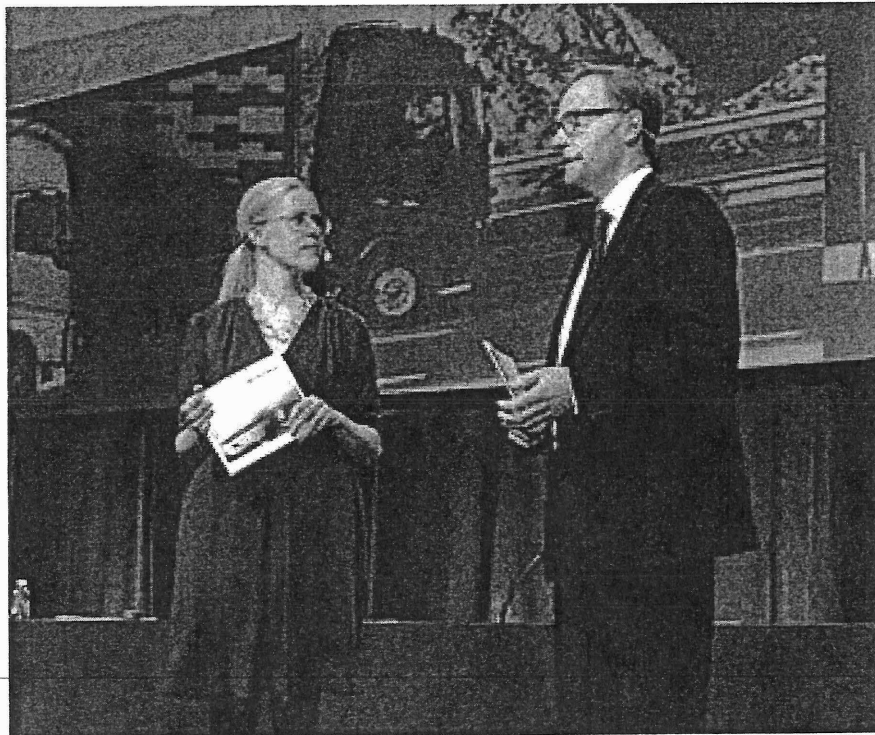
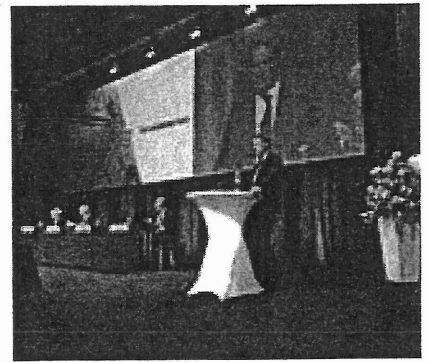
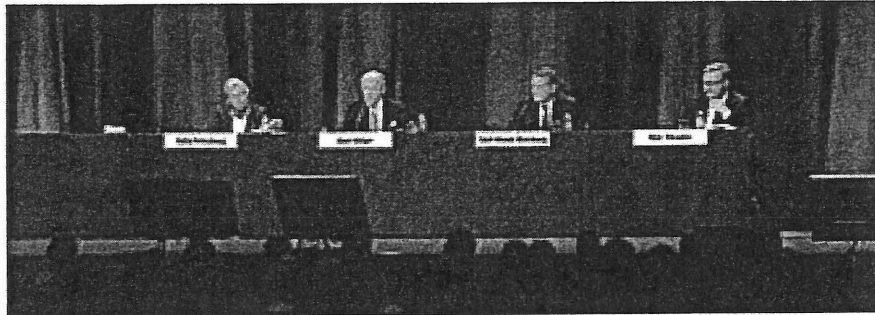
Volvo's Annual General Meeting 2013 was held on Thursday, April 4, 2013 in Gothenburg. The Meeting was attended by 1,494 shareholders, either in person or by proxy, representing 69.48 percent of the votes in the company. Attorney Sven Unger was elected Chairman of the Meeting. Members of the Board and the Group Executive Team were present at the Meeting. Authorized Public Accountants Peter Clemedtson, Volvo's Lead Partner, and Johan Rippe were also present, representing the company's auditor PricewaterhouseCoopers AB.

The Annual General Meeting 2013 adopted inter alia the following resolutions:

- to pay a dividend of SEK 3.00 per share,
 - to reelect Board Members Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Anders Nyrén, Olof Persson, Carl-Henric Svanberg, Ravi Venkatesan, Lars Westerberg and Ying Yeh,
 - to reelect Carl-Henric Svanberg as Chairman of the Board,
 - the Board's fees for the period up until the next Annual General Meeting,
 - to adopt the proposed guidelines for remuneration of senior executives,
 - to adopt the proposed amendment to the company's Articles of Association regarding a four year term of appointment of the auditor.
- Complete minutes and information about the Annual General Meeting 2013 are available at www.volvogroup.com.

Annual General Meeting 2014

Volvo's Annual General Meeting 2014 will be held on Wednesday, April 2, 2014 in Lisebergshallen, Gothenburg. For further information about the Annual General Meeting 2014, please refer to the fold-out in the end of the Annual Report and Volvo's website www.volvogroup.com.



3 Election Committee

Duties

The Election Committee is the shareholders' body responsible for submitting to the Annual General Meeting the names of candidates to serve as Chairman at the Meeting and Chairman and other members of the Board, as well as proposing fees and other compensations to be paid to the Board members.

In the years in which Volvo elects auditors, the Election Committee presents proposals to the Meeting for the election of auditors and for fees to be paid to the auditors. In addition, the Election Committee, in accordance with prevailing instructions for Volvo's Election Committee, presents proposals for members of the Election Committee for the following year.

The Election Committee's proposal shall be presented to Volvo in sufficient time to be included in the notice to attend the Annual General Meeting and to be published on Volvo's website at the same time. In conjunction with the notice to attend the Annual General Meeting being published, the Election Committee shall comment on whether those persons who are proposed to be elected as Board members are to be considered as independent in relation to the company and company management as well as to major shareholders in the company and further to comment on their material duties and holding of shares in Volvo.

Composition

In accordance with instructions for the Election Committee adopted by the Annual General Meeting 2007, the Annual General Meeting shall elect five members to serve on the Election Committee, of whom four shall represent the largest shareholders in the company, in terms of the number of votes, who have expressed their willingness to participate on the Election Committee. In addition, one of the members shall be the Chairman of the AB Volvo Board. Additionally, the Election Committee can offer other major shareholders to appoint one representative as a member of the Election Committee. If such an offer is made, it should be directed in turn to the largest shareholder in terms of voting rights not already represented on the Election Committee. The number of members on the Election Committee, however, may not exceed seven.

In accordance with its instructions, Volvo's Annual General Meeting 2013 resolved to appoint the following individuals as members of the Election Committee:

- Carl-Henric Svanberg, Chairman of the Board,
- Carl-Olof By, representing AB Industrivärden,
- Lars Förberg, representing Cevian Capital,
- Yngve Slyngstad, representing Norges Bank Investment Management, and
- Håkan Sandberg, representing Svenska Handelsbanken, SHB Pension Fund, SHB Employee Fund, SHB Pensionskassa and Oktogonen.

The Election Committee appointed Carl-Olof By as Chairman.

4 Board of Directors

Duties

The Board of Directors is ultimately responsible for Volvo's organization and management of the company's operations. The Board is responsible for the Group's long-term development and strategy, for regularly controlling and evaluating the Group's operations and for the other duties set forth in the Swedish Companies Act.

Composition

During the period January 1, 2013 to December 31, 2013, AB Volvo's Board consisted of nine members elected by the Annual General Meeting. In addition, the Board had three members and two deputy members appointed by employee organizations.

The Annual General Meeting 2013 reelected the previous year's Board Members and the Chairman of the Board. An account of each Board member's age, principal education, professional experience, assignments in the company, other important board memberships, their own and related parties' ownership of shares in Volvo as of February 21, 2014, and the year they were elected on the Volvo Board, is presented in the "Board of Directors" section on pages 98-99.

Independence requirements

The Board of Directors of AB Volvo must meet independence requirements pursuant to the Code entailing that only one person from the company's management may be a member of the Board, that a majority of the Board members elected by the General Meeting shall be independent of the company and the company management and that at least two of the Board members elected by the General Meeting who are independent of the company and the company's management shall also be independent of the company's major shareholders. Prior to the Annual General Meeting 2013, the Election Committee presented the following assessment concerning independence of the Board members elected by the Annual General Meeting 2013.

Peter Bijur, Jean-Baptiste Duzan, Hanne de Mora, Carl-Henric Svanberg, Ravi Venkatesan, Lars Westerberg and Ying Yeh were all considered independent of the company and the company management as well as of the company's major shareholders.

Olof Persson, as AB Volvo's President and CEO of the Volvo Group, was considered independent of the company's major shareholders but not of the company and the company management.

Since AB Industrivärden, prior to the Annual General Meeting 2013, controlled more than 10 percent of the votes in the company, Anders Nyrén, due to his capacity as President and CEO of AB Industrivärden, was not considered independent in relation to one of the company's major shareholders.

Work procedures

Every year, the Board adopts work procedures for the Board's work. The work procedures contain rules pertaining to the distribution of work between the Board members, the number of Board meetings, matters to be addressed at regular meetings of the Board and duties incumbent on the Chairman.

In accordance with the work procedures, Volvo's Chairman shall organize and guide the Board's work, be responsible for contacts with the owners regarding ownership matters and provide the owners' viewpoints to the Board, ensure that the Board receives adequate information and decision documents for its work and verify that the Board's resolutions are implemented. In addition, the work procedures contain directives concerning the tasks of the Audit Committee and the Remuneration Committee respectively.

The Board has also issued written instructions specifying how financial information should be reported to the Board, as well as defining the distribution of duties between the Board and the President.

The Board's work in 2013

The Board's work is mainly performed within the framework of formal Board meetings and through meetings in the respective committees of the Board. In addition, regular contact is maintained between the Chairman of the Board and the CEO in order to discuss on-going business and to ensure that the resolutions taken by the Board are executed.

In 2013, there were nine regular meetings and one statutory meeting. The attendance of Board members at these meetings is presented in the table on page 97.

In the beginning of 2013, AB Volvo signed an agreement with the Chinese vehicle manufacturer Dongfeng Motor Group Company Limited (DFG) to acquire 45 percent of a new subsidiary of DFG, Dongfeng Commercial Vehicles (DFCV). The acquisition will include the major part of DFG's medium- and heavy-duty commercial vehicles business. The completion of the transaction is subject to certain conditions including the approvals of concerned authorities. In January 2014, the National Development and Reform Commission in China gave its approval of the establishment. Yet, additional authority approvals are to be obtained, and completion of the transaction is expected to take place mid 2014. The agreement with DFG has been preceded by discussions and decisions by the AB Volvo Board, and the Board sees the cooperation with DFG as a possibility to strengthen the Volvo Group's position, both in and outside China. The cooperation within DFCV is therefore an important step towards the Group's vision to become the world leader in sustainable transport solutions.

The Volvo Group continued the renewal of its truck products ranges during 2013. Volvo Trucks launched several new products in addition to the new Volvo FH which was launched in 2012. Renault Trucks renewed its total product range, and is now offering a completely new range of vehicles for Long Distance, Construction and Distribution applications. In August, UD Trucks launched Quester, a new heavy-duty truck range developed specifically for growth markets. The launch of Quester is an important step in the Volvo Group's strategy to increase sales in fast growing markets across for example Asia Pacific. VE Commercial Vehicles Ltd., a joint-venture between the Volvo Group and Eicher Motors Ltd, launched the Pro Series, a new range of trucks and buses developed specifically for India and other selected growth markets. The renewal of the different truck products ranges was the result of long-term development projects that have been discussed and decided upon by the AB Volvo Board.

During 2013 the Board further devoted time to matters related to the strategies applicable to the 2013–2015 period established for the Volvo Group's trucks business and other Business Areas. The Group-wide efficiency program

announced in September 2013 which encompasses both reduction of white collar employees and consultants and efficiency enhancements in the global industrial system is part of the implementation of the strategies.

During the fall of 2013, the Board of Directors visited the Group's businesses in China and also plants within DFCV's businesses in China.

In the end of 2013, the Volvo Group decided to sell Volvo Rents, the Group's North American rental business for construction equipment, to the US private equity firm Platinum Equity. The transaction was completed on January 31, 2014 and has been preceded by discussions within the Board of Directors. The divestiture is part of the Group's strategic effort to focus on the core business. In the end of 2013, the Volvo Group also agreed to acquire the off-highway hauler business of the Terex Corporation with the purpose of improving Volvo Construction Equipment's penetration in the core earthmoving segment and extend its presence in light mining. This was also a strategic transaction that offers Volvo Construction Equipment considerable scope for growth, and it has been preceded by discussions within the Board of Directors.

As a result of the uncertainty about the macroeconomic trend, the Board focused on monitoring the business environment in order to be prepared to adapt the operation to prevailing demand. The Board also continuously worked with leadership succession and leadership development issues.

The Board also reviewed the financial positions of AB Volvo and the Volvo Group on a regular basis and acted in order to ensure that there are efficient systems for follow-up and control of the business and the financial position of the Volvo Group. In connection therewith, the Audit Committee was responsible for preparing the Board's work to assure the quality of the Group's financial reporting by reviewing the interim reports, the Annual Report and consolidated accounting. The Board also met with the company's auditors at several occasions during 2013 and without the presence of management at one occasion. The Board continuously evaluates the performance of the CEO.

During 2013 the Board performed its yearly evaluation of the Board's work.